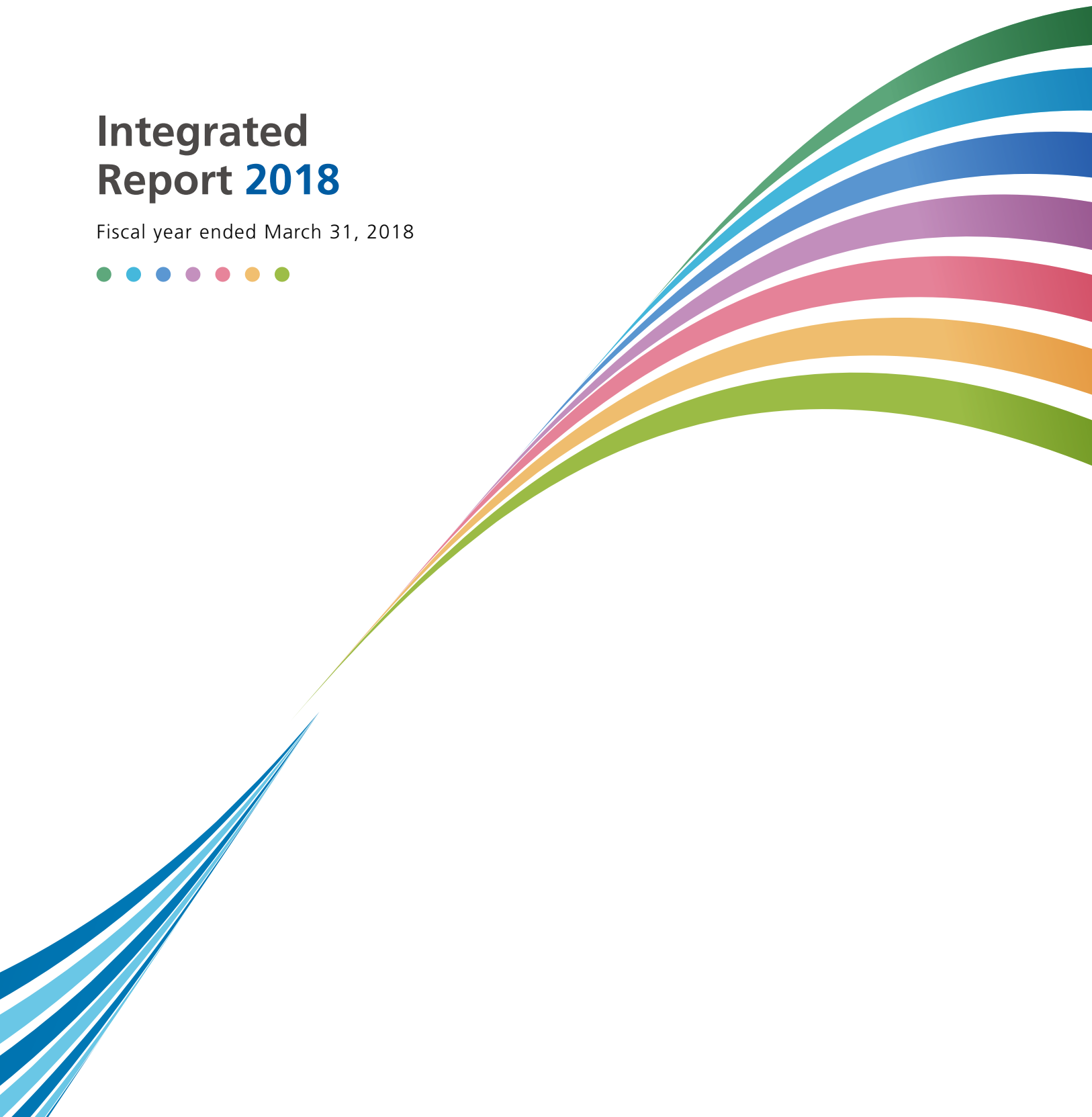
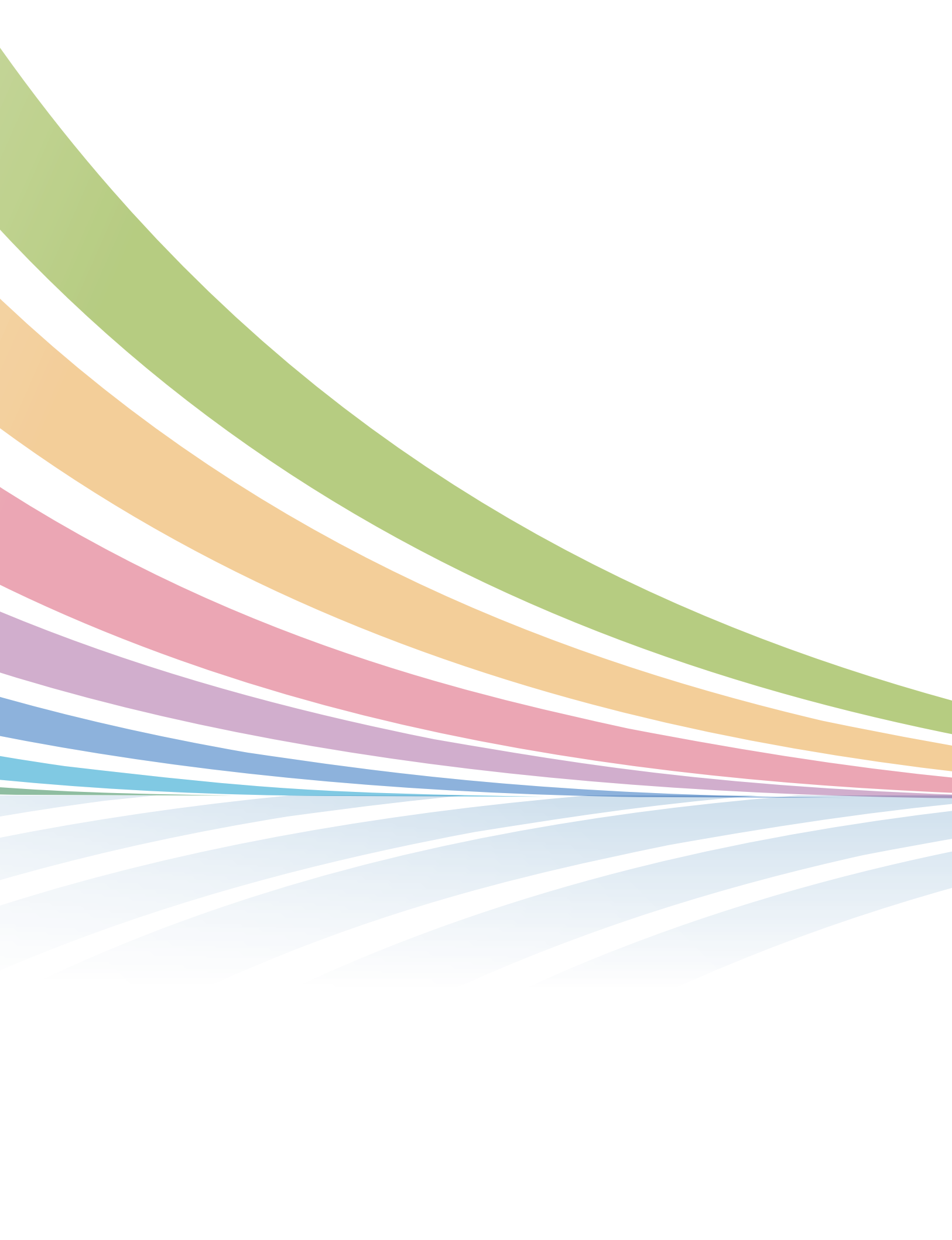


# Integrated Report 2018

Fiscal year ended March 31, 2018



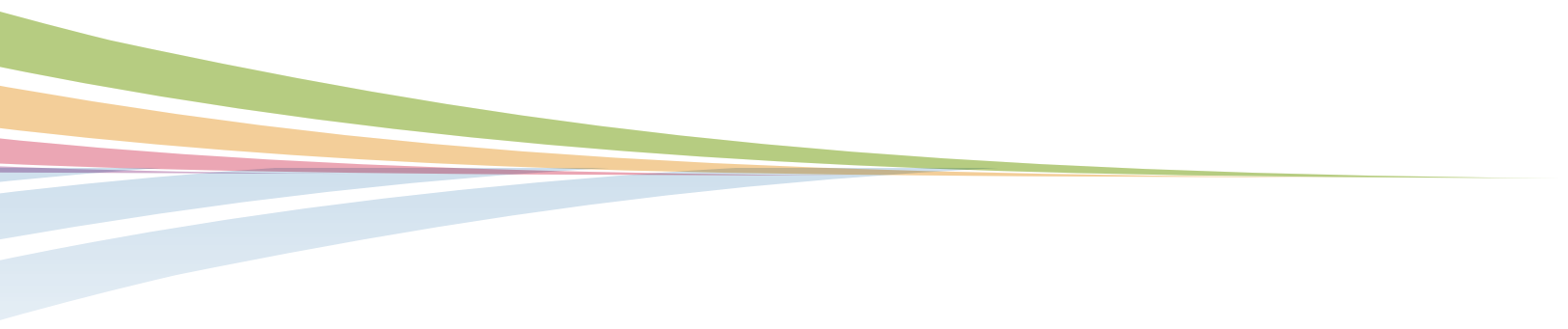


# On site for a better tomorrow

Toyota Tsusho strives to live and prosper together with people, society, and the planet, and to be a value-generating corporation that contributes to the creation of prosperous societies.

We will continue to work on site for a better tomorrow. To contribute to society through our business, we will maintain our stance of taking on challenges in business fields around the world together with our partners and local communities.

Toyota Tsusho, which celebrated its 70th anniversary on July 1, 2018, will continue to do its utmost to contribute to the world.



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### 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.

### 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 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 Standards of the Global Reporting Initiative (GRI), Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation of the Ministry of Economy, Trade and Industry, the Environmental Reporting Standards 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 corporate social responsibility (CSR)-related topics, please refer to the CSR section on Toyota Tsusho's website.



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

### Online Integrated Report

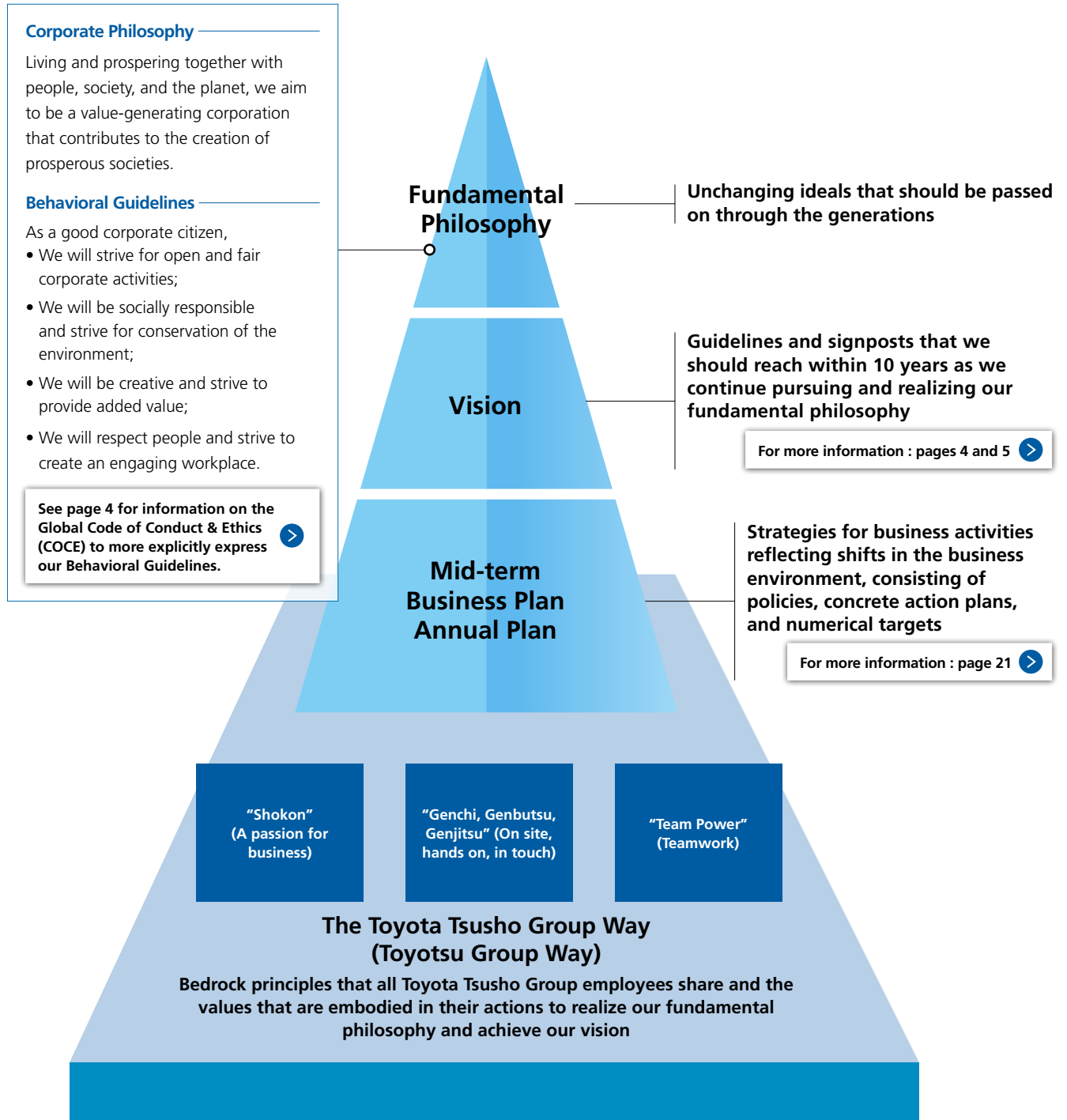
A digital book version and PDF version of the Integrated Report are available on Toyota Tsusho's website.



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

# 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.



## ▶ Global Code of Conduct & Ethics

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

- 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.

## ▶ Global 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

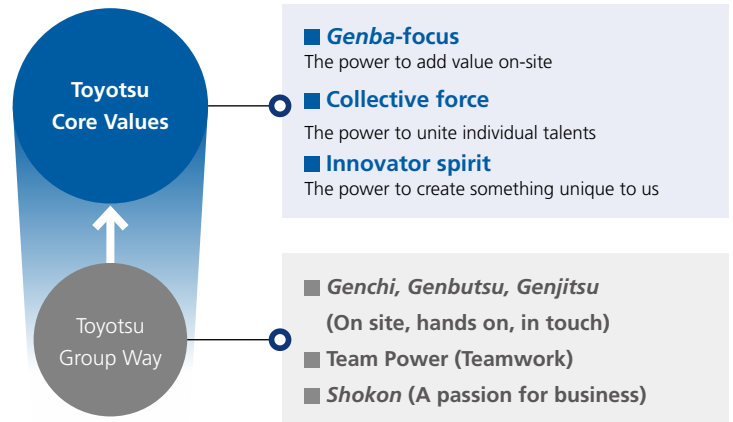
Maximizing our individual capabilities, global networks, and diversity, we will unite and strive to bring out the most in our comprehensive strengths.

#### 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.

## Toyotsu Core Values

The Toyotsu Core Values are the corporate strengths we will use over the next 10 years. Using the Toyotsu Group Way as a foundation, these values will help us 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



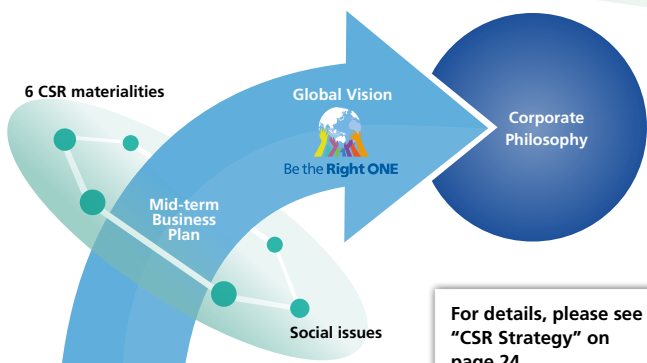
### Mobility

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

## CSR Materiality (Material Issues)

We have defined key CSR issues to focus on while implementing the Corporate Philosophy and Global Vision.

- Strive for the elimination of traffic casualties and contribute to the creation of a safe and comfortable mobility society
- Contribute to the transition to a low-carbon society by reducing automotive, manufacturing, and energy plant construction CO<sub>2</sub> emissions through the use of clean energy and innovative technologies
- Contribute to the development of a recycling-based society by transforming waste into resources for manufacturing
- Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations
- Begin everything we do with ensuring safety and compliance, and continue to be an organization trusted by society
- Respect human rights, and actively develop people who will contribute to society by nurturing them and giving them opportunities to apply their skills



For details, please see "CSR Strategy" on page 24.

## President & CEO's Message



**Ichiro Kashitani**

President & CEO



# Turning Changes in the Business Environment into Opportunities and Making Great Strides

## ▶ The Distinctive Traits of Toyota Tsusho that We Should Continue to Maintain

I was officially appointed member of the Board, president and CEO in June 2018. Allow me to begin with a brief introduction to my background. Since joining the Company in 1983, I have worked in four of seven sales divisions—machinery, automotive, food, and Africa—and in the Administrative Division. I have spent 13 years overseas in Morocco, the United Kingdom, and France. In 2011, when the current chairman, Jun Karube, was officially appointed president, I was serving as an executive officer in what was then the Administrative Division. I had a bird's-eye view of the entire Company's business and was involved in management strategy formulation. At the end of 2012, when we converted CFAO, a French trading company that did business in Africa, into a consolidated subsidiary, I was appointed as a CFAO executive vice president. For roughly three years, I went back and forth between Paris and various cities in Africa before returning to Japan in 2016 and being appointed chief division officer of the Automotive Division and director.

I would like to talk about what I see as the distinctive traits of Toyota Tsusho. The Toyota Tsusho Group Way is a philosophy that encapsulates the distinctive traits of Toyota Tsusho and is one of the Company's most notable characteristics and greatest strengths. The Toyota Tsusho Group Way consists of "On site, hands on, in touch," "Teamwork," and "A passion for business." I believe our focus on the workplace, and the nimble footwork it produces, is what has earned us a reputation among our customers as being "*shosha* (trading company) people in work clothes" who are attentive to the finest details and work hard to create concrete solutions to problems. Going forward, I want us to enhance our proposal-led sales strengths by working even harder so that we will be able to identify issues without waiting to be told about them by our customers and be able to proactively propose solutions.

In addition to the Toyota Tsusho Group Way, through my 35 years in the Company I have felt other aspects of our distinctive character, our corporate culture, which I believe we should continue to maintain as Toyota Tsusho's corporate DNA. These include the openness of our company, in which everyone feels free to share their opinions regardless of position within the Company; the value we place on people, seen through our focus on safety and growth; our encouragement of taking on new challenges; and our corporate culture of standing back up and trying again when we encounter failure.

Particularly, I would like to enhance our "intrapreneurship," creating and starting up new lines of business within the Company.

#### ▶ Toyota Tsusho's Ideal Image

Now I'd like to talk about the Toyota Tsusho Group's goals from a long-term perspective. My ideal image for Toyota Tsusho is one of a company that is relied on to resolve society's problems, and one that can help make peoples' lives richer. In the future, I would like to add to this the image of being of a company that continuously produces personnel who contribute to society. My personal motto is "Do not fear change. Enjoy it. Create it." Recently, I have added to this motto "Create people who create change." Based on the idea that trading companies are made of the people that make them up, we have placed great value on personnel development and have established systems for training personnel. In the future, as president, I wish to focus even more on personnel development. Compared to leading global companies, we do not devote ourselves enough to personnel development. There is still much left to do; we need to spend more time engaging in dialogue with subordinates regarding evaluations and careers. We need to not only focus on specialization but on the liberal arts as well. I believe our openness and warm atmosphere are some of our strengths, but rigor is just as important. True teamwork occurs when we bring together individuals who do their best as professionals. Individuals who lack strength will not produce power just by coming together. I feel that overseas, personnel can make decisions and act on their own, exhibiting a breadth and depth of thought. For us to compete overseas, we also must increase the strength of our individual members.

A company that continuously produces personnel who create solutions to society's problems and bring greater happiness to people is a company that will flourish and be relied on by society. The ultimate goal is the ideal image expressed in our Global Vision: "Be the Right ONE."

#### ▶ Defining CSR Materialities

In March 2018, we defined our CSR materialities, our most important CSR challenges. These were not challenges that happened to be related to CSR, but instead were challenges defined by thinking about and systematically promoting business from the standpoint of social issues. In the future, we will keep these CSR materialities in mind as we implement each and every one of our projects, working to achieve our Global Vision. Examples of our CSR materialities are our efforts in Africa. I have deep ties with Africa as not only was my first overseas position in Morocco but I also served as the Africa business group leader for the Automotive Division. In 2001, we converted all five African Toyota automobile distributors into subsidiaries. I was appointed as the Japanese side team leader for this M&A, the largest M&A in the Company's history at the time. Until then, the management of the five distributors had all been sent from the parent company in the U.K., and all profits, as a general rule, flowed back there. But since our acquisition of those distributors, we switched to a policy of reinvesting the profit generated in Africa back into Africa, developing personnel, and working to produce local staff who could eventually become presidents of the subsidiaries concerned. Africa's population is expected to grow 1.5-fold over the next 10 years, and distribution volume will quadruple. Economic development and the growth of the middle class will further accelerate. We will promote business strategies matched to the characteristics of individual African regions and create steady growth, engage in personnel development that is not restricted to employees in the Toyota Tsusho Group, and contribute to the development of Africa from a long-term perspective.

For details, please see "CSR Strategy" on page 24. [▶](#)



## ▶ What I Wish to Do to Help Us Achieve Our Ideal Image

As I discussed at the February 2018 press conference regarding the changing of presidents, there are two main issues I wish to focus on during my term as president. The first is digitalization, and the second is globalization.

### **Leveraging the Strengths of Technology and Contributing to the Evolution of Mobility**

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Technological innovation has brought about what is being called a once-in-a-century transformation for the automobile industry. As part of the Toyota Group, this presents a tremendous threat to us, but we must turn it into an opportunity. Every business model has a life cycle. Companies can only survive if they adapt to change by creating new business before these business models become obsolete. Trading companies in the automobile industry used to only engage in exports. But they began directly investing in overseas distributorships or dealerships and have continued to develop by expanding their value chains to include general-purpose parts sales, used car sales, leasing and other financing, rentals, and the like. Now, as we take on tremendous changes in mobility, is the time to see these changes as opportunities, led by the spirit of “Do not fear change. Enjoy it. Create it.” I want us to create new markets and initiate change in areas such as alternative materials and car & ride-sharing services.

I am convinced that the keys to our the Company’s future growth will be not only mobility but also responding to digitalization and technological innovation. Trading companies have, so far, used time gaps (gaps in when information is obtained) and space gaps (gaps in distance) to achieve business growth. But in our modern era these gaps have grown extremely small. I believe that the path trading companies need to take is the one of using technological gaps. As a trading company, we are responsible for providing business judgment, such as conveying the new needs of the market to manufacturers, providing new technologies that meet these needs where necessary, and working together with manufacturers to cultivate and industrialize the seeds of these technologies.

Toyota Tsusho has two strengths when it comes to technology. The first is that the world’s largest electronics trading company in the automotive field, NEXTY Electronics Corporation, which develops software, is one of our subsidiaries. The second is that we are a member of the Toyota Group. As the only trading company in the Toyota Group, we are extremely attuned to the issues being taken on by companies in the Group, and the difficulties they encounter. I want us to communicate and coordinate closely with those companies. Our key role is to be a leader within the Toyota Group in linking developed technologies to various customer needs and generating business through this.

#### Business, Personnel, and System Globalization

Another major theme to which I want to devote as much effort as digitalization is globalization, in three forms. The first form is business globalization. In the past, although we extended ourselves beyond Japan when domestic companies began expanding overseas, today we still do little business with top-class companies abroad. In the past few years we have generated business in Africa with Carrefour and HEINEKEN, but in both cases this came about when former President Karube visited Europe and negotiated with those top executives, accelerating the process. In the same way, in the future I want our executives, including myself, to actively go abroad and build partnerships with top-class companies.

The second form is personnel globalization. CFAO has roughly 15,000 employees from more than 50 different countries. When I served as one of its executive vice presidents, I experienced diversity and inclusion through our promotion of post-merger integration with the aim of fusing with Toyota Tsusho, the parent company. The presence of people with different values and ways of thinking is what makes it possible to maintain a variety of perspectives, bouncing ideas off each other and producing chemical reactions that generate new ideas. I also felt how important curiosity and respect for other countries and cultures was for bringing the most out of people. In contrast, a monoculture in which everyone shares the same values and ways of thinking rapidly trends toward obsolescence. Not only do we need to work harder at developing Japanese employees who can serve as global human resources but also at selecting and promoting overseas personnel.

The third form is organization and system globalization. I want us to perform the overseas personnel promotion I mentioned earlier at the management level as well, investing these personnel with the authority to handle overseas regions, with the aim of achieving federated management, in which each region and workplace can make decisions rapidly. We have more than 50 executives, but until two years ago not one of them was non-Japanese. This year, we have three foreign executives, and our executive globalization has just begun.



**Priority areas in our  
Mid-term Business Plan will  
be the next mobility area  
and business in Africa.**

## ► Mid-term Business Plan Objectives and Targets

I would like to discuss our medium-term strategy in more detail. To speedily respond to our business environment, which is undergoing tremendous change, we have shortened our traditional five-year plan to three years, and, during the fiscal year ended March 31, 2018, introduced a Mid-term Business Plan, which we will review and revise every year. Looking back over the past three years, which are the background behind the targets for the fiscal year ending March 31, 2021 that we announced this fiscal year, in the fiscal year ended March 31, 2016 we recorded our largest deficit, a net loss of 19.2 billion yen (on an IFRS basis). During that year, we sorted out our negative legacy in areas such as resources, and reviewed and revised our investment objectives. We engaged in efforts in three key areas: improving our earning power; reducing expenses and using funds more wisely; and preventing spending waste. Thanks to these efforts, from the fiscal year ended March 31, 2017 we posted two years of consecutive record profits. In the fiscal year ended March 31, 2018, factors such as growth in our automobile production-related business and renewable energy business enabled us to achieve the targets in the previous year's Mid-term Business Plan two years ahead of schedule. I believe we have established these three key areas as part of our corporate culture and created a solid foundation over these two years. In the future, I want to promote even leaner management by making these efforts even more commonplace and expected. I especially want to focus on free cash flow, reducing inventory levels to improve working capital, secure sufficient operating cash flow, and, as a rule, restrict investment within these limits. We have positioned this three-year period as one of an upsurge in growth, and will strategically invest as necessary for future growth while maintaining our sound financial constitution.

Our quantitative target for this three-year period will be an annual increase of 10 billion yen in net income.

For details, please see "Overview of the Mid-term Business Plan" on page 21. [▶](#)

## ► Next Mobility Area and Africa Measures

Priority areas in our Mid-term Business Plan will be the next mobility area and business in Africa.

Regarding the next mobility area, in 2017 we established the NEXT Mobility Development Department, a division-spanning organization headed by an executive vice president who is our Chief Technology Officer (CTO). At the same time, we also created the NEXT Technology Fund to anticipate and address technological innovation, both in the Mobility domain and in other sectors, with a high degree of agility and flexibility. In addition to the three investment projects that have been announced for the fund, several other investment and partnership projects are being developed. Over the past year we have explored a wide range of business opportunities, narrowed down the areas on which we will focus, and started to identify the partners and resources we will require. We will now move onto the stage of taking concrete steps to implement these projects.

In Africa, we are expanding business in all three of our business domains: Mobility, Life & Community, and Resources & Environment. I believe that "From Distribution to Manufacturing," using the strengths of Toyota Tsusho and CFAO, will be an especially key concept. There is still little local automobile manufacturing in Africa. Instead, business is focused on distribution and sales. In countries and regions that undergo economic development, we expect to see a rise in small- and medium-scale knockdown production, in which externally sourced parts are assembled locally. The Automotive Division has a dedicated KD (Knockdown) Business Department and will continue to capture new business opportunities.

The tide of transition in Africa from distribution and sales to production is also occurring in sectors other than automobiles. CFAO excels at the distribution and sales of famous foreign brands, and, as sales volume increases, is increasing local packaging and production. For example, HEINEKEN operates breweries in Republic of Congo and Côte d'Ivoire. CFAO's subsidiary in Morocco has invested in Maphar, a subsidiary of the Sanofi Group, beginning the manufacturing and sales of pharmaceuticals in 2017. The manufacturing and process management know-how of the Toyota Group, such as the Toyota Production System, "kaizen" (continuous improvement), and JIT (just-in-time), is one of our clear advantages. The visit by our Kaizen Activity Department to a CFAO plant, and the guidance it provided, were well received, and word has spread to other countries and plants. We have now begun improvement activities in five countries. Africa is expected to become the factory of the world by 2040, and we will use our strengths to turn the shift from distribution to manufacturing into an opportunity for growth.

For details, please see "Feature Turning the Changes to the Automobile Industry into Growth Opportunities Taking on the Challenges of CASE" on page 30 and "Africa Division" on page 62.



## ▶ Onto Our Next Surge

In addition to these priority areas, I believe it is of vital importance that we not only expand our renewable energy, electronics and other businesses also take actions toward our next surge that includes advancing our businesses in China, India, emerging countries, and elsewhere. This surge will not be a leap to a higher stage. Instead, it will consist of the advances we realize as we make steady, constant progress climbing a mountain, achieved by strengthening our foundation and moving on.

Furthermore, we will promote workstyle reforms and improve our per-person productivity, striving to raise profit margins for each of our businesses. If we can provide customers with added value that can only come from Toyota Tsusho, our profit margins should rise. In other words, pursuing the Global Vision of "Be the Right ONE," becoming a peerless company that our customers see as the only one they feel they can fully trust, will lead to improved profitability. Our active disengagement from unprofitable business segments and business segments not in line with our strategies contributed to our strong business performance in the fiscal year ended March 31, 2018. I do not want us to be merely a general trading company that works in a wide range of business sectors. Instead, I want our business lines to be distinctive Toyota Tsusho business lines truly needed by our customers and by society. I want them to be dynamically linked by business area and geographical region, and for us to be like a collective of professional, specialized trading companies with unparalleled products and services.

## ▶ Corporate Governance that Includes ESG Management and Diversity

Attention is being increasingly turned to environmental, social, and governance (ESG) management, which is, of course, an area we are also particularly attentive. For ESG, corporate governance is particularly important for our surge. To further separate management from execution, in 2017 the number of directors was reduced from 16 to 12, and the focus of the Board of Directors was placed on making management-level decisions and monitoring the execution of business. Our outside directors had already been providing us with opinions from diverse, objective perspectives, and reducing the number of directors has further increased their input and produced deeper, more fundamental discussion. At the June

2018 General Shareholders' Meeting, two new outside directors were added, bringing the number up from three to four, so we look forward to more vigorous discussion that includes outside perspectives. With these changes, we now have two female outside directors and one non-Japanese outside director, and by actively bringing in new values that differ from those within the Company, we will create more transparent management better able to respond to changes in the business environment.

For details, please see "Corporate Governance" on page 68. [▶](#)

## ▶ A Year of Sharing Values within the Toyota Tsusho Group

In the fiscal year ending March 31, 2019, my first year as president, I plan to focus on going to as many worksites as possible, listening to and having discussions with our customers and employees. At the same time, I will communicate my vision of Toyota Tsusho's distinctive philosophy and work ideals. It will be a year of sharing fundamental values. Since being appointed president, I have discussed maintaining a "sound sense of crisis." As I mentioned earlier, companies can only survive if they constantly innovate, aware of the need to adapt their business models in response to changes to prevent them from becoming obsolete. I want to foster this sense of crisis throughout the Group as we aim for a tremendous next surge.



Ichiro Kashitani  
President & CEO

# On Course to Becoming a Value-generating Corporation

Toyota Tsusho celebrated its 70th anniversary on July 1, 2018. The company 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.

## Establishment–1970s

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

Toyoda Kinyuu Kaisha, Toyota Tsusho's predecessor, was established in 1936 to provide sales financing for Toyota vehicles. After World War II, Toyoda Kinyuu Kaisha (then known as Toyota Sangyo Kaisha) was dissolved under the second zaibatsu designation, which prohibited the existence of holding companies. However, the company's trading division continued on in the form of Nisshin Tsusho Kaisha Ltd., which was established in 1948. In 1956, Nisshin Tsusho would later evolve to become today's Toyota Tsusho Corporation, which grew, largely by exporting finished automobiles, as the trading company of the Toyota Group. Toyota Tsusho 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 only exporting automobiles, and started producing automobiles 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 Pakistan. However, the Company's efforts were not limited to the automotive sector. For example, the Company formed a business alliance with Kasho Company, Ltd., in 1999.



Utilizing the knowledge acquired within the Toyota Group externally, and in sectors other than automobiles

Expanding value chains outside the automotive sector through mergers and tie-ups

Stepping up overseas forays in conjunction with the globalization of the Toyota Group

1990 — 2000

1948

1948  
Establishment



1964  
Start of Complete Build-up export to the Republic of Kenya



1986  
The Tomen Group starts the electric power business



1983  
Former Tomen Electronics Corporation established



2003  
Former Toyota Tsusho Electronics Corporation established



1986  
Began aggregation and consolidated shipping to the U.S.



Metals Division



Global Parts & Logistics Division



Automotive Division



Machinery, Energy & Project Division



Chemicals & Electronics Division



Food & Consumer Services Division



Africa Division



## 2000s

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

In 2000, Toyota Tsusho entered 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 placing emphasis on renewable energies, African businesses, and other areas in which both social needs are high and growth potential is great, along with next-generation mobility and new technology development.



CFAO Group all rights reserved.

- ▶ Our distinctive trait as a member of the Toyota Group
- ▶ Our distinctive trait acquired through the pursuit of becoming a global company
- ▶ Our distinctive trait acquired in the process of growth

Distinctive Traits of Toyota Tsusho Established Over Time

2010

2018

Process of Acquiring Current Growth Drivers

To Become a Value-generating Corporation

|  |   |  |
|--|---|--|
|  | 2017<br>Establishment of the NEXT Technology Fund | Next technology                        |
| 2012<br>Eurus Energy Holdings Corporation converted to a subsidiary          |   | Renewable energy                       |
| 2016<br>CFAO becomes a wholly owned subsidiary                               |   | Africa                                 |
| 2012<br>Investment in Elematec Corporation                                   | 2017<br>NEXTY Electronics Corporation established | Electronics & multimedia               |
| 2012<br>Lithium production and development started in the Argentine Republic |   | Mobility<br>→ Next-generation mobility |

## Business Model for Becoming a Value-generating Corporation

Based on our DNA as the trading company of the Toyota Group, we developed Toyota Tsusho's distinctive traits in the process of growing into a global company.

Based on the Toyotsu Core Values, which are our distinctive strengths, in our three business domains we will undertake businesses that create new value that contributes to the development of a prosperous society.

### Toyota Tsusho's Distinctive Traits

#### Our Distinctive Trait Acquired in the Process of Growth

- Supporting customers through our role behind the scenes
- Fundamental stance of commitment to expertise, effort, and hands-on work

#### Our Distinctive Trait Acquired through the Pursuit of Becoming a Global Company

- Supplement areas of insufficiency through strategic M&As
- Embody diversity and inclusion through a process of integration
- Knowledge acquired through lessons learned from failures in the investment process

#### Our Distinctive Trait as a Member of the Toyota Group

- External utilization of the knowledge acquired within the Toyota Group
- Passing on of knowledge acquired outside the Group to within the Group

### Growth Driver Domains

Next technology

Renewable energy

Africa

Electronics & multimedia

Next-generation mobility

Business Carried Out by the Sales Divisions



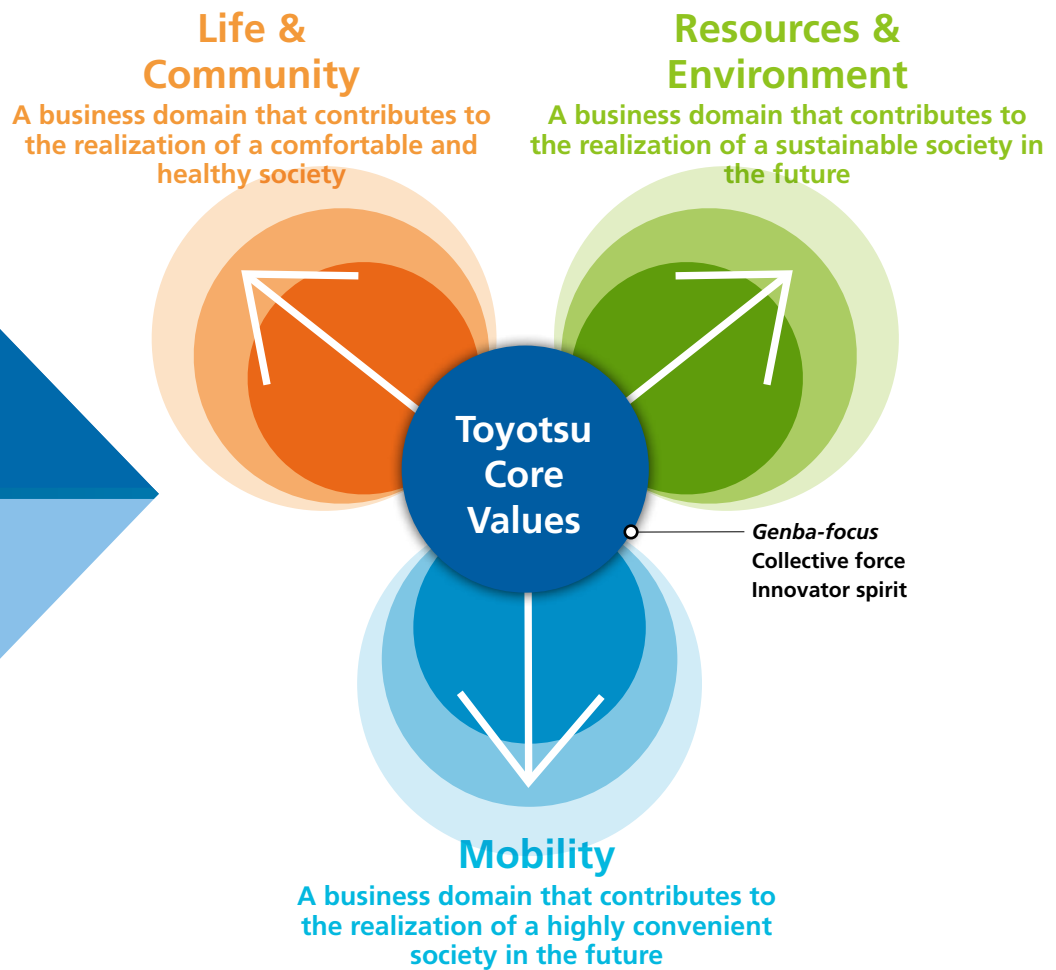
Living and prospering together with people, society, and the planet, we aim to be a value-generating corporation that contributes to the creation of prosperous societies.

### Embodiment of the Toyota Tsusho Group Way

Seeking growth through the Toyotsu Core Values and demonstrating our maximum capabilities

### Adapting to Changes in the Business Environment and Social Issues

Using business strengths established until now, taking on the challenge of future priority domains, and developing them into growth driver



## Financial Strategy



**We will maintain our sound financial constitution while working to create new revenue bases and enhance our corporate value.**

### Hideyuki Iwamoto

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

## Review of Results for the Fiscal Year Ended March 31, 2018

### Overview

In the consolidated financial results for the fiscal year ended March 31, 2018, gross profit rose 35.4 billion yen compared with the previous fiscal year, to 606.2 billion yen, and operating profit rose 49.0 billion yen compared with the previous fiscal year, to 182.6 billion yen, largely as a result of exchange rates due to a weak yen and increased automobile manufacturing-related handling.

In addition, despite a rise in tax expenses due to last year's accounting processes based on the assumption of application of the consolidated tax payment system, factors such as increased operating profit and profit from the sale of some subsidiary companies' stocks caused profit for the year attributable to owners of the parent to rise 22.3 billion yen, to 130.2 billion yen, setting a new profit record for the second consecutive year.

### Consolidated Statement of Profit or Loss

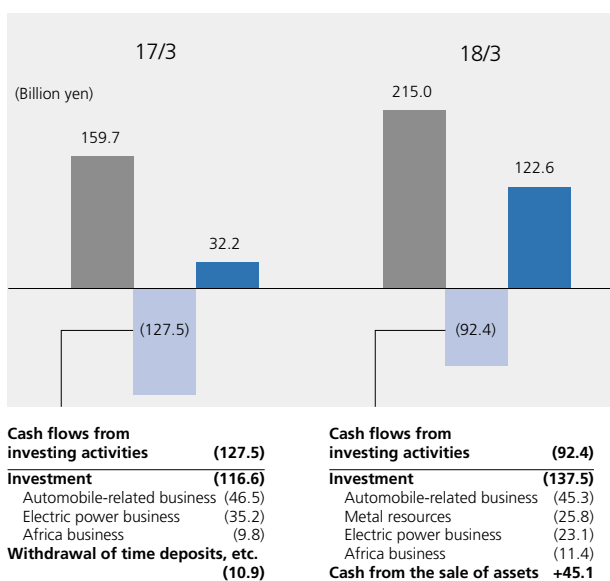
|  | 17/3  | 18/3  | (Billion yen)<br>Change |
|--|-------|-------|-------------------------|
| Gross profit   | 570.8 | 606.2 | 35.4                    |
| Operating profit   | 133.6 | 182.6 | 49.0                    |
| Profit before income taxes                               | 140.8 | 209.7 | 68.9                    |
| Profit for the year attributable to owners of the parent | 107.9 | 130.2 | 22.3                    |

### Reinforcing Cash Flow Management

Cash flows from operating activities was 215.0 billion yen due to profit before income taxes, and cash flows from investing activities was a deficit of 92.4 billion yen, due to 137.5 billion yen in automobile-related facility investment and lithium development business investment, together with the proceed of 45.1 billion yen from asset sales. As a result, free cash flow was 122.6 billion yen, and we were again able to achieve our goal of positive free cash flow.

We believe this is the result of our improvements to working capital efficiency by implementing cash flow management on each individual sales division basis, and our efforts to cultivate cash flow awareness throughout the Company, such as investing within the bounds of sales cash flow.

We will also continue to maintain a positive free cash flow by enhancing cash flow management, maintain our lean financial constitution, and further increase our corporate value.



■ Cash flows from operating activities ■ Cash flows from investing activities  
■ Free cash flow

## Balance Sheet Management Focused on Financial Base Stability and Capital Efficiency

In the balance sheet as of March 31, 2018, total assets increased 98.0 billion yen compared to March 31, 2017, to 4,310.0 billion yen, and net interest-bearing debt decreased 95.0 billion yen, to 1,006.9 billion yen.

Total equity attributable to owners of the parent rose 124.1 billion yen, to 1,174.7 billion yen, primarily due to increase in accumulated surplus, and the net debt-equity ratio (net DER) improved from 1.0 to 0.9 times.

With regard to capital procurement, our basic policy was one of procurement consistent with asset contents, taking interest rate fluctuation risk and finance risk into consideration. We borrowed from financial institutions and issued commercial paper

and company bonds, while working to ensure appropriate liquidity and maintain financial stability.

We used a unique in-house indicator to regularly verify that a certain revenue scale was achieved corresponding to the invested capital.

We found that our return on assets improved, and our ROE for the fiscal year ended March 31, 2018 was 11.7%, again reaching our target of an ROE between 10% and 13%.

We will continue to pay close attention to financial indicators such as net DER and ROE, and promote balance sheet management focused on financial base stability and capital efficiency.

|  |   | (Billion yen) |         |        |
|--|---|---------------|---------|--------|
|  |   | 17/3          | 18/3    | Change |
| Consolidated statement of financial position | Total assets                                      | 4,212.0       | 4,310.0 | 98.0   |
|  | Total equity attributable to owners of the parent | 1,050.6       | 1,174.7 | 124.1  |
|  | Net interest-bearing debt                         | 1,101.9       | 1,006.9 | (95.0) |
| Financial indicators                         | Net DER   | 1.0           | 0.9     | (0.1)  |
|  | ROE (%)   | 10.8          | 11.7    | 0.9    |

## Investment Cycle Operation

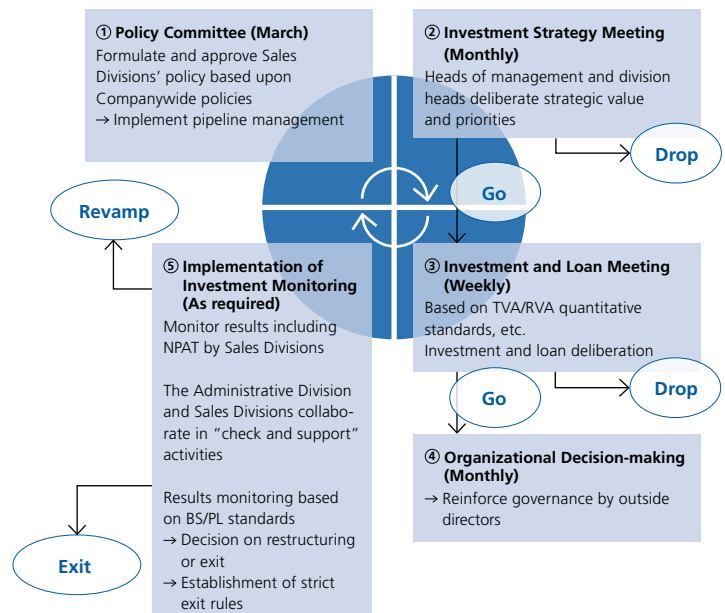
Appropriately managing risk and producing reliable results from investments are important for the sustained growth of the Company. We have developed a system that uses the knowledge and experience accrued throughout the Company to engage in deliberations at each stage of investment, from initial investigation to implementation. We have also enriched our systems for following up after investments, to solve the problems faced by our business companies and to replace assets.

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 business plans at the Investment and Loan Meeting. At the Investment and Loan Meeting, which I chair, we use our own unique TVA (capital efficiency)\*<sup>1</sup> and RVA (risk income)\*<sup>2</sup> indicators to quantitatively verify projects from various perspectives. Some of our related companies, both in Japan and overseas, have been given investment authority in order to accelerate the investment decision-making process.

After investing, the Administrative Division and Sales Divisions collaborate with any projects dealing with issues to continuously manage progress and provide support ("check and support"). In addition, Sales Divisions independently monitor the results, and the Administrative Division monitors based on balance sheet/profit/loss (BS/PL) 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, based upon the concept of return on invested capital (ROIC), that verifies that a certain revenue scale is achieved corresponding to the invested capital.
- \*2 An indicator that verifies that obtained revenue is appropriate for the risk.



Financial Strategy

Enhancing Corporate Value

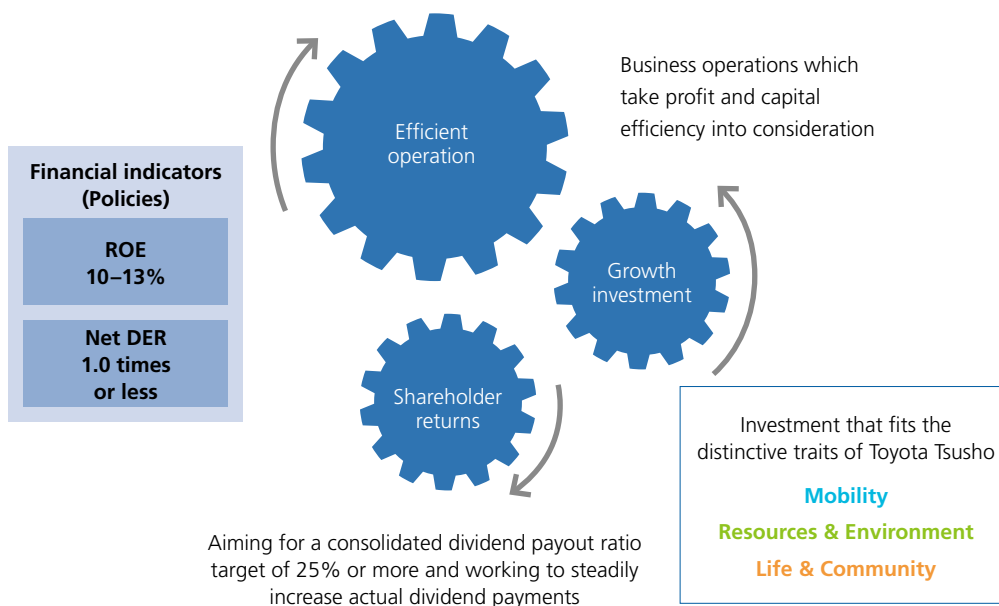
Our financial policy is to maintain an ROE between 10% and 13% and a net DER of 1.0 times or less, and to balance future growth-oriented investment and shareholder returns.

We strive for efficient business operation in order to further evolve our cash flow management. We also aim to increase our business profitability and working capital efficiency to maximize cash flow from operating activities and maintain free cash flow in profit.

With the cash created, we have reduced interest-bearing debt and provide shareholder returns through dividends as we strive to further improve our sound financial constitution and solidify our foundation of future growth investment.

Going forward, we will not only evolve the business fields which are our strengths but also actively make major investments that contribute to further growth, enhancing our corporate value to meet the expectations of all of our stakeholders.

Maintaining profitability and our financial constitution while investing in future growth and providing shareholder returns

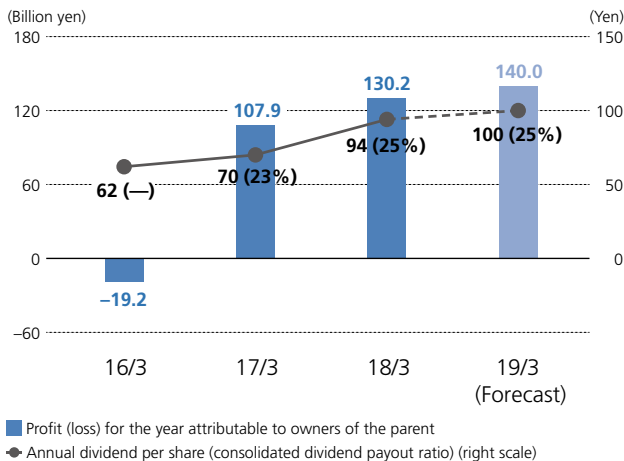


Shareholder Returns Policy

Toyota Tsusho's policy on shareholder returns is to maintain stable dividends with a consolidated dividend payout ratio target of 25% or more while striving to increase the amount of dividends per share. We adopt flexible response measures, taking into consideration changes in the economic environment, investment progress, and other factors. In the fiscal year ended March 31, 2018, the annual dividend per share increased 24 yen compared to the previous year, to 94 yen. For the fiscal year ending March 31, 2019, our plan is for a consolidated dividend payout ratio target of 25% and an annual dividend of 100 yen per share (an increase of 6 yen), the ninth consecutive increase.

Going forward, we remain committed to paying stable dividends while creating new revenue bases supported by a sound financial constitution and to meeting the expectations of shareholders.

We will endeavor to maintain a stable dividend and increase dividend per share, targeting a consolidated dividend payout ratio of 25% or more



# Overview of the Mid-term Business Plan

The Company's business environment, particularly with respect to mobility, is undergoing significant changes. 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. Furthermore, we will conduct rolling reviews on an annual basis to continuously reflect the recent major changes in the business environment.

The three-year Mid-term Business Plan aims to increase profits in the three business domains, with profit increase targets of approximately 15.0 billion yen for the Mobility domain, 7.0 billion yen for the Resources & Environment domain, and 8.0 billion yen for the Life & Community domain. At the same time, the Company plans to invest approximately 330.0 billion yen over the three-year period. Of this investment, 120.0 billion yen will be in the Mobility domain. This includes investment in automobile sales and service, automobile production & peripheral business, and

next-generation mobility. In the Resources & Environment domain, we will invest 140.0 billion yen, primarily in renewable energy; metal resources, especially lithium; and metal recycling.

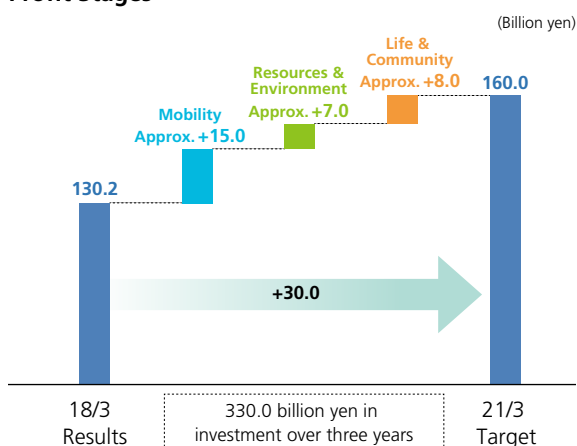
In the Life & Community domain, we plan to invest 70.0 billion yen in consumer electronics, pharmaceuticals, and foodstuffs. Investment will be within the bounds defined by operating cash flow.

This year, as well, we will place a particular focus on our Next-generation mobility strategy and African growth strategy, which we have defined as priority areas.

## Quantitative Targets for the Fiscal Year Ending March 31, 2021

|                           | (Billion yen)     |
|---------------------------|-------------------|
| Earnings                  | 160               |
| Total assets              | 4,900             |
| ROE                       | 10–13%            |
| Net DER                   | 1.0 times or less |
| Risk assets / Risk buffer | Less than 1.0     |

### Profit Stages



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

(Billion yen)  
Period: Three years, from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021

#### Mobility

|            |       |
|------------|-------|
| Earnings   | +15.0 |
| Investment | 120.0 |

#### Special Focus Areas

- Automobile sales and service
- Automobile production & peripheral business
- Next-generation mobility

#### Resources & Environment

|            |       |
|------------|-------|
| Earnings   | +7.0  |
| Investment | 140.0 |

#### Special Focus Areas

- Renewable energy
- Metal resources (lithium)
- Metal recycling

#### Life & Community

|            |      |
|------------|------|
| Earnings   | +8.0 |
| Investment | 70.0 |

#### Special Focus Areas

- Consumer electronics
- Pharmaceuticals
- Foodstuffs

## Priority Areas



### Next-generation mobility strategy

- Spanning product divisions
- Establishment of the NEXT Mobility Development Department
- Established the NEXT Technology Fund to respond in a timely manner to innovative technological changes

For details, please see "Feature Turning the Changes to the Automobile Industry into Growth Opportunities Taking on the Challenges of CASE" on page 30. [▶](#)



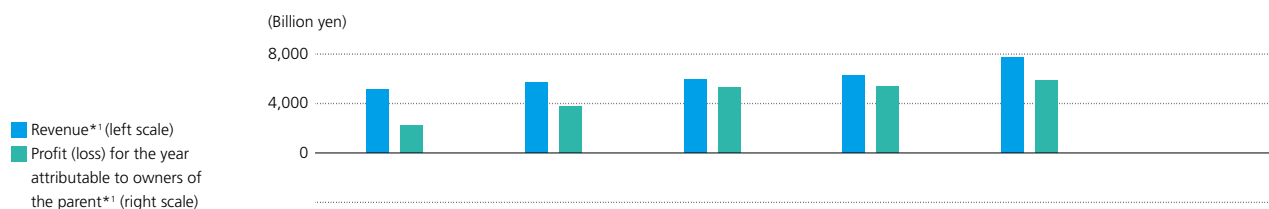
### African growth strategy

- Established the Africa Division as our first regional division and streamlined reporting lines
- Accelerated use of local human resources

For details, please see "Africa Division" on page 62. [▶](#)

# Financial Summary

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



|  | Japanese GAAP |            |            |            |            |
|--|---------------|------------|------------|------------|------------|
|  | 2010/3        | 2011/3     | 2012/3     | 2013/3     | 2014/3     |
| <b>Results of Operations:</b>  |               |            |            |            |            |
| Revenue* <sup>1</sup>  | ¥5,102,261    | ¥5,743,649 | ¥5,916,759 | ¥6,304,354 | ¥7,743,237 |
| Gross profit   | 280,790       | 330,730    | 343,999    | 403,888    | 582,498    |
| Selling, general and administrative expenses                                     | 225,199       | 245,432    | 251,596    | 288,013    | 421,177    |
| Operating profit* <sup>1</sup>   | 55,591        | 85,297     | 92,403     | 115,875    | 161,321    |
| Share of profit (loss) of investments accounted for using the equity method      | 7,364         | 13,636     | 15,396     | 17,646     | 13,783     |
| Profit (loss) for the year attributable to owners of the parent* <sup>1</sup>    | 27,339        | 47,169     | 66,205     | 67,432     | 73,034     |
| <b>Financial Position at Year-end:</b>   |               |            |            |            |            |
| Total assets* <sup>1</sup>   | ¥2,274,547    | ¥2,436,248 | ¥2,837,428 | ¥3,592,368 | ¥4,072,728 |
| Total equity* <sup>1</sup>   | 650,215       | 667,378    | 751,747    | 920,043    | 1,156,080  |
| Net interest-bearing debt  | 563,066       | 581,366    | 672,137    | 998,626    | 1,088,974  |
| <b>Cash Flows:</b>   |               |            |            |            |            |
| Net cash provided by operating activities  | ¥ 100,217     | ¥ 79,884   | ¥ 63,782   | ¥ 124,156  | ¥ 133,937  |
| Net cash used in investing activities  | (73,090)      | (74,046)   | (58,771)   | (323,389)  | (135,587)  |
| Net cash provided by (used in) financing activities                              | (107,623)     | 77,751     | 97,358     | 223,374    | 5,356      |
| Cash and cash equivalents at the end of year                                     | 170,714       | 252,747    | 354,755    | 391,352    | 412,032    |
| <b>Per Share:</b>  |               |            |            |            |            |
| Earnings (losses) per share attributable to owners of the parent* <sup>1</sup> : |               |            |            |            |            |
| Basic earnings (losses) per share  | ¥78.08        | ¥134.78    | ¥189.34    | ¥192.58    | ¥208.01    |
| Diluted earnings (losses) per share* <sup>2</sup>                                | –             | –          | –          | 192.42     | 207.82     |
| Cash dividends for the year  | 16.00         | 28.00      | 42.00      | 44.00      | 50.00      |
| Dividend payout ratio* <sup>3</sup>  | 20.5%         | 20.8%      | 22.2%      | 22.8%      | 24.0%      |
| <b>Financial Measures:</b>   |               |            |            |            |            |
| Return on equity (ROE)   | 4.9%          | 8.0%       | 10.7%      | 9.6%       | 8.4%       |
| Ratio of equity attributable to owners of the parent* <sup>1</sup>               | 25.7%         | 24.4%      | 22.6%      | 21.2%      | 23.9%      |
| Net debt-equity ratio (Net DER) (times)  | 0.96          | 0.98       | 1.04       | 1.31       | 1.12       |
| <b>Common Stock:</b>   |               |            |            |            |            |
| Number of shares outstanding at year-end   | 354,056       | 354,056    | 354,056    | 354,056    | 354,056    |

Notes: 1. As of the fiscal year ended March 31, 2017, the Company prepares its consolidated financial statements based on International Financial Reporting Standards (IFRS).

2. For the convenience of 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.

3. U.S. dollar amounts have been translated from the amounts stated in yen, solely for the convenience of readers, at the rate of ¥106.24 = U.S.\$1, the approximate exchange rate prevailing on March 31, 2018, which was the final business day of financial institutions in the fiscal year ended March 31, 2018.



| Millions of Yen     |            |            | Millions of Yen     |            |                   | Thousands of U.S. Dollars |  |
|---------------------|------------|------------|---------------------|------------|-------------------|---------------------------|--|
| 2015/3              | 2016/3     | 2017/3     | 2016/3              | 2017/3     | 2018/3            | 2018/3                    |  |
| ¥8,663,460          | ¥8,170,237 | ¥7,919,663 | ¥6,246,103          | ¥5,797,362 | <b>¥6,491,035</b> | <b>\$61,097,844</b>       |  |
| 634,572             | 616,042    | 578,887    | 612,539             | 570,872    | <b>606,282</b>    | <b>5,706,720</b>          |  |
| 465,115             | 475,742    | 432,231    | 438,422             | 411,235    | <b>414,042</b>    | <b>3,897,232</b>          |  |
| 169,456             | 140,299    | 146,656    | 82,988              | 133,669    | <b>182,696</b>    | <b>1,719,653</b>          |  |
| 4,060               | (5,676)    | 10,254     | (3,397)             | 10,476     | <b>11,368</b>     | <b>107,003</b>            |  |
| 67,571              | (43,714)   | 102,597    | (19,280)            | 107,903    | <b>130,228</b>    | <b>1,225,790</b>          |  |
| ¥4,533,693          | ¥3,952,100 | ¥4,096,843 | ¥4,053,391          | ¥4,212,064 | <b>¥4,310,043</b> | <b>\$40,568,928</b>       |  |
| 1,304,483           | 1,055,777  | 1,151,969  | 1,115,984           | 1,223,513  | <b>1,362,187</b>  | <b>12,821,790</b>         |  |
| 1,233,559           | 1,102,786  | 1,050,229  | 1,121,619           | 1,101,974  | <b>1,006,990</b>  | <b>9,478,445</b>          |  |
| ¥ 169,100           | ¥ 308,338  | ¥ 193,769  | ¥ 320,330           | ¥ 159,770  | <b>¥ 215,098</b>  | <b>\$ 2,024,642</b>       |  |
| (199,512)           | (170,839)  | (130,428)  | (162,777)           | (127,525)  | <b>(92,498)</b>   | <b>(870,651)</b>          |  |
| 108,247             | (225,202)  | (28,343)   | (245,634)           | 5,656      | <b>(128,741)</b>  | <b>(1,211,794)</b>        |  |
| 499,157             | 399,191    | 430,517    | 392,247             | 426,208    | <b>423,426</b>    | <b>3,985,560</b>          |  |
| Yen                 |            |            | Yen                 |            |                   | U.S. Dollars              |  |
| ¥192.23             | ¥(124.26)  | ¥291.56    | ¥(54.80)            | ¥306.64    | <b>¥370.08</b>    | <b>\$3.48</b>             |  |
| 192.10              | –          | 291.56     | (54.80)             | 306.63     | –                 | –                         |  |
| 56.00               | 62.00      | 70.00      | 62.00               | 70.00      | <b>94.00</b>      | <b>0.88</b>               |  |
| 29.1%               | –          | 24.0%      | –                   | 22.8%      | <b>25.4%</b>      | –                         |  |
| 6.4%                | (4.3)%     | 11.0%      | (1.8)%              | 10.8%      | <b>11.7%</b>      | –                         |  |
| 24.8%               | 22.5%      | 24.0%      | 23.4%               | 24.9%      | <b>27.3%</b>      | –                         |  |
| 1.10                | 1.24       | 1.07       | 1.18                | 1.04       | <b>0.85</b>       | –                         |  |
| Thousands of Shares |            |            | Thousands of Shares |            |                   | –                         |  |
| 354,056             | 354,056    | 354,056    | 354,056             | 354,056    | <b>354,056</b>    | –                         |  |

\*1 All items within the above table represent IFRS categories..

The IFRS categories under 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 corresponds to profit (loss) per share; and ratio of equity attributable to owners of the parent corresponds to shareholders' equity ratio.

\*2 Figures for diluted earnings (losses) per latent 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 earnings (losses) 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. The figure for diluted earnings (losses) per share for the fiscal year ended March 31, 2018 is not presented as there were no latent shares with a dilution effect.

\*3 The dividend payout ratio for the fiscal year ended March 31, 2016 is not presented as the Company posted a net loss.

# 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.

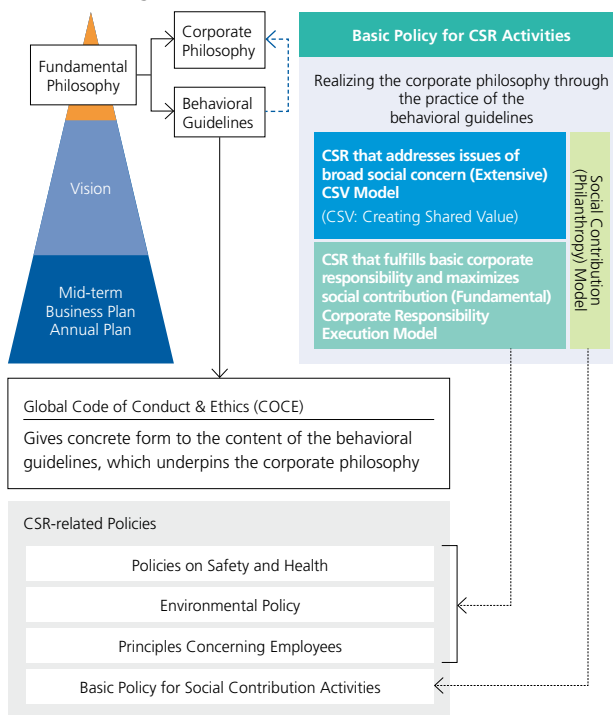
At Toyota Tsusho, we consider the realization of our corporate philosophy through the practice of the behavioral guidelines to be a basic policy of CSR activities. We believe that CSR is the determining factor of how all corporate activities should be and is, itself, corporate management.

Furthermore, 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), please see pages 3 and 4.** [➤](#)

## Overall Image of CSR Activities



## Promotion Structure

### 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.

Since the fiscal year ended March 31, 2017, CSR measures have been undertaken with appropriate advice from broad perspectives from regular members of the CSR Committee as well as outside directors Yoriko Kawaguchi and outside directors Kumi Fujisawa and two full-time Audit & Supervisory Board members, who attended 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
- Departments related to the Administrative Division
- General Manager of the Safety and Global Environmental Promotion Department
- General Manager of the Global Human Resources and General Affairs Department
- General Manager of the Enterprise Risk Management Department
- General Manager of the Legal Department
- General Manager of the Finance Department
- General Manager of the Public Affairs Department
- General Manager of the Crisis Management & BCM Department

### Main Agenda of the CSR Committee for the Fiscal Year Ended March 31, 2018

1. Approval of the CSR materiality proposal
2. Recent CSR trends and Toyota Tsusho's current situation
3. Defensive CSR: Report of activities for the fiscal year ended March 31, 2018

### Main Opinions and Advice

- For employees to view SDGs as new business opportunities, it will be necessary to make a transition from the Company's existing method of creating business.
- To what extent are employees aware of domestic and overseas developments regarding ESG and SDGs. Efforts should be made to inform not just the committee members but also employees.
- Mechanisms to incorporate CSR and ESG into the management cycle are needed.

### Permeation of CSR within the Company

The Company conducts e-learning and questionnaires targeting all employees to spread CSR measures in the Company and assess current conditions.

The theme of the e-learning program for the fiscal year ended March 31, 2018 was SDGs. Courses and tests on the fundamental concepts of SDGs were implemented. In addition, a

questionnaire survey on awareness of SDGs was conducted to assess current conditions. Of the questionnaire respondents, 48% answered that they were not aware of SDGs. The recent e-learning program informed employees about SDGs, and we will continue taking measures in the future to deepen understanding.

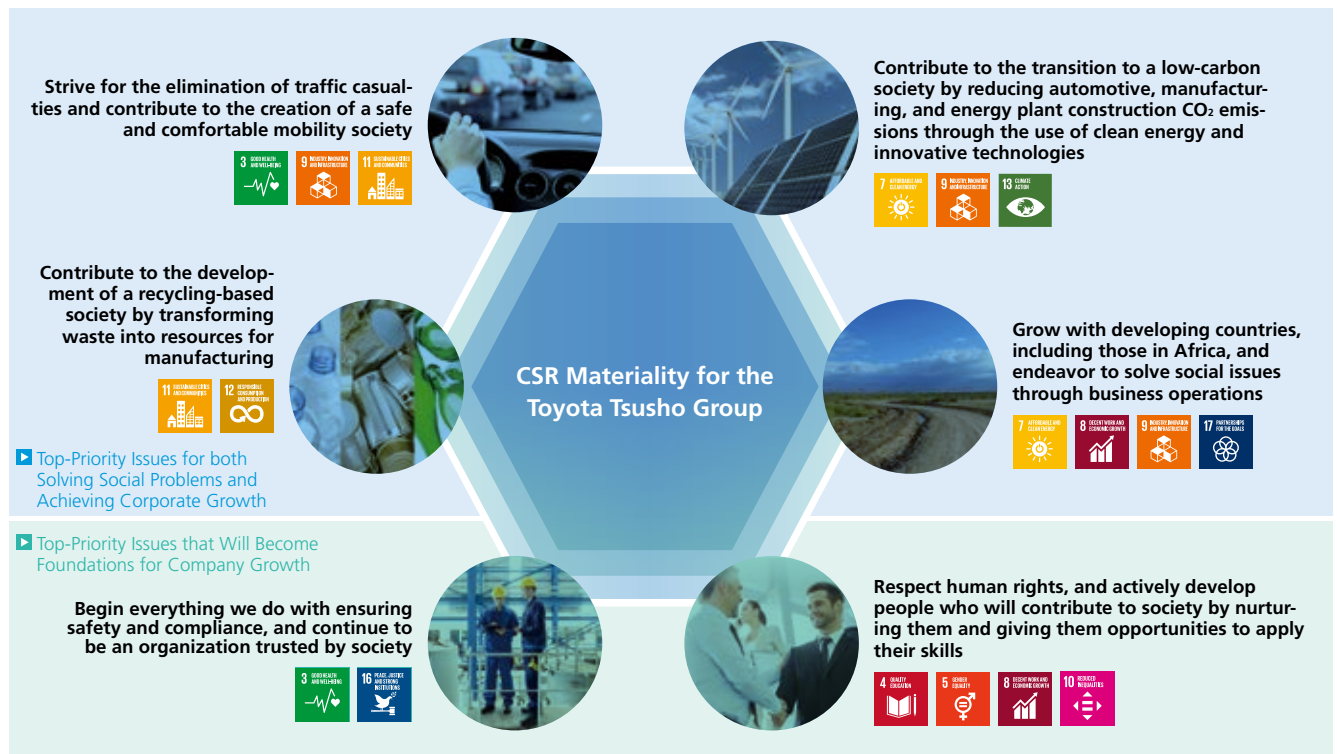
### Identification of CSR Materiality (Material Issues)

The Toyota Tsusho Group is committed to resolving various social issues throughout the world as it undertakes business globally based on its corporate philosophy of living and prospering together with people, society, and the earth while striving to be a value-generating corporation that contributes to the creation of prosperous societies. The global environment in which the Group conducts business changes daily, and we have identified key CSR issues that we need to be aware of as we pursue the realization of our corporate philosophy and Global Vision to clarify those social issues that we need to focus on based on our management strategies and taking into consideration recent trends in international society. In the process of identifying those issues, we engaged in repeated discussions while taking into consideration

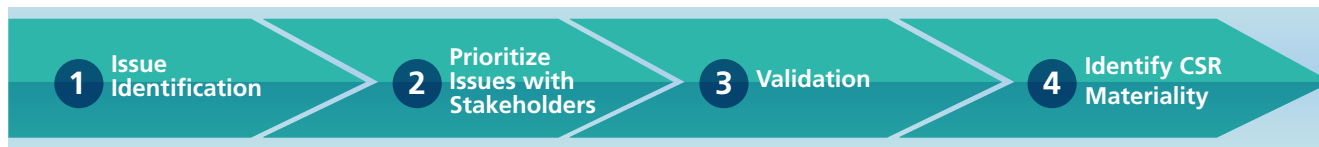
the opinions of management and other internal and external stakeholders. The Group's CSR materiality are positioned as issues that demonstrate the Toyotsu Core Values in the three areas of the Global Vision and that we need to be aware of as we pursue "Be the Right ONE."

The materiality identified at this time are not intended to be unchanging. They will be reviewed periodically by the CSR Committee, taking into consideration changes in the Group's environment and other factors, and will be appropriately revised. This will lead to awareness of the materialities by each employee, sustainable growth through their incorporation in business activities, and contribution to the resolution of social issues and achievement of the SDGs.

### CSR Materiality for the Toyota Tsusho Group (Material Issues)



Process of Identifying Material Issues



1 Issue Identification

- We referred to guidelines such as CSR and ESG guidelines (GRI Standard, ISO 26000, UN Global Compact, FTSE4Good, MSCI) and the standards of Toyota Environmental Challenge 2050 to identify and organize social issues, focusing on the 169 targets of the SDGs, which are considered to comprehensively cover global social issues.
- We checked if these organized social issues aligned with our corporate philosophy, behavioral guidelines, Global Vision, and Mid-term Business Plan, and identified 43 issues.



2 Prioritize Issues with Stakeholders

Through questionnaires and dialogue with stakeholders, both inside and outside the Group, regarding the identified 43 social issues, we prioritized expectations and requests for the Group, and the importance of these social issues to the Group, and created a materiality matrix.

Stakeholders

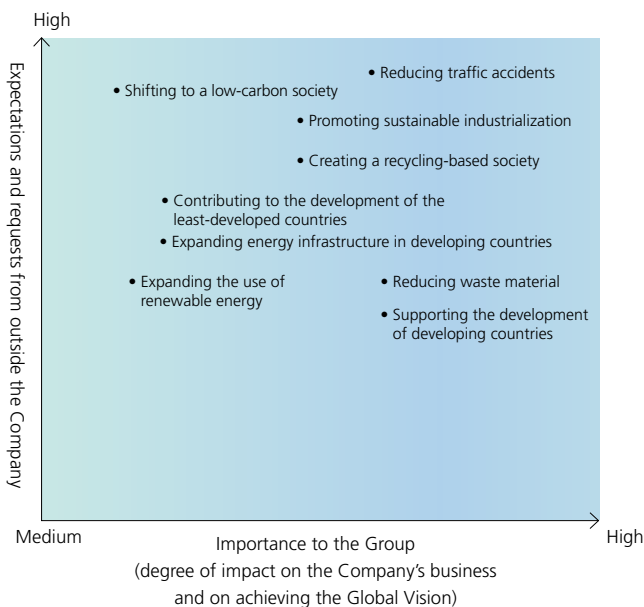
- Internal: Interviews with individual divisions, questionnaires administered to all Toyota Tsusho employees, CSR staff in Japanese affiliated companies, and overseas staff
- External: Interviews with Japanese institutional investors, and questionnaires administered to general investors

Narrowing Down

We created proposed materialities using a materiality matrix, focusing on social issues with a high level of importance inside and outside the Company.

The materialities identified are not the only materialities which the Group will address. Instead, they are the materialities identified as being the most important for the Group.

Materiality Matrix



3 Validation

Discussion Participants

- Confirm the suitability of the identification process and the proposed materialities
- Managers and the chief division officers of each division participated in CSR Committee discussions (at a meeting held in early December 2017)
  - Individual interviews with outside directors

Main Opinions from Participants

- It is noteworthy that the materialities are prepared after conducting a well-established process.
- This is no longer a time in which countries and governments can accomplish whatever they want on their own. It is necessary for society to change, and the Company needs to be aware of changing its systems and programs. It is necessary

- to refer to the knowledge of NGOs, NPOs, and other organizations.
- When viewed from the perspective of the materialities, we need to start a discussion on businesses that will become contradictory, businesses that should be slowed down, and businesses that we should terminate in the future. I want to establish materialities that will lead to an image of a set of guidelines for the future.
  - It is necessary to change employee awareness so that we can expand perspectives from the Company's existing method of creating business by focusing on resolving customer problems and shifting from social issues that are global problems to a concept of business creation. Accumulating "quick hits" in

the form of successful experiences will likely generate a virtuous cycle.

- The more amicable the language the vaguer it becomes, and this can give the impression that ultimately nothing will be done. So we need to use sharp language and adopt innovations.
- For employees, if the individual topics are narrowed down too far, the next step is difficult. But, if they are too general, it is difficult to know what to do. It is necessary to organize topics in a way that makes it easy for employees, as they are the ones who are to act.

#### 4 Identify CSR Materiality

The CSR materiality was approved following discussions by the CSR Committee at meetings held in March, 2018. The materiality was explained and reported to the directors and Audit & Supervisory Board members at a Board of Directors' meeting.

#### Future Issues

To achieve sustainable growth, it will be necessary to respond to the expectations of stakeholders according to changes in the times. To incorporate this into management strategies, the materialities and specific measures will be periodically checked and revised in the future.

In the fiscal year ending March 31, 2019, we will disseminate the CSR materialities with emphasis on internal dissemination and will investigate incorporating them into the Mid-term Business Plan.

#### Messages from CSR Committee Observers and Outside Directors



Yoriko Kawaguchi  
Member of the Board

I want to evaluate the materialities from three perspectives: the process of their formulation, their content, and their implementation.

First, regarding the method of formulation, the materialities were created through a well-established process. Based on the opinions of numerous stakeholders, the materialities were consolidated into a matrix and devised through a process of deliberation and feedback. I think that this is an ideal formulation process.

Regarding the content, as a company deeply involved in the automotive-related business that conducts international business including in Africa, I think it is appropriate that the materialities reflect the Company's strengths and interests.

In the implementation phase, what is important is whether the

materialities are fully absorbed by each employee at each work site, and whether they can be reflected in work. I believe it is important to move forward while evaluating whether the materialities are being implemented and whether the structures in each department are suitable for their implementation.

Materialities are not slogans. They serve as an important basis for investors and society to evaluate Toyota Tsusho. It is not until they are implemented that they have significance.

I believe that in the future it will be important to incorporate the opinions of even more stakeholders and make the materialities even better.



Kumi Fujisawa  
Member of the Board

It is praiseworthy that materialities representative of Toyota Tsusho have been adopted. However, this is no more than a first step. It is important that the materialities be incorporated into all the actions of employees, and at the same time, it is crucial that those actions lead to profits. To this end, I would like to make the following three proposals.

1. Express the materialities in language that reflects local culture for understanding by stakeholders in each region of the world.
2. Achieve compatibility among the Mid-term Business Plan, investment evaluations, personnel evaluations, and the materialities.

3. Expand information intelligence by collaboration with global NGOs, NPOs, and other organizations centered on CSR and the SDGs.

By incorporating the above, I expect the Toyota Tsusho Group to contribute to the world based on the materialities and to become a model for a sustainable society.

### CSR Materiality for the Toyota Tsusho Group (Material Issues)

#### ▶ Top-Priority Issues for both Solving Social Problems and Achieving Corporate Growth

##### Strive for the elimination of traffic casualties and contribute to the creation of a safe and comfortable mobility society

The automobile industry is on the cusp of a once-in-a-century transformation.

The birth and evolution of advanced technologies, such as automated driving, the Internet of Things (IoT), and artificial intelligence (AI), are poised to greatly expand mobility potential.

The Toyota Tsusho Group sees these environmental changes as business opportunities, and will use material innovation, automated driving, and advanced safe driving support technologies to reduce the number of road accidents and improve traffic infrastructure. Through this, we aim to achieve zero traffic fatalities and injuries and contribute to the development of a safe and comfortable mobility society.

##### Examples of related business and activities, and the referring pages

- Demonstration trials of truck platooning [Pages 33 and 56](#)
- Establishment of India's first airbag cushion manufacturing business [Page 44](#)
- Investment in Grab Inc., a ride-hailing service company [Page 48](#)



##### Contribute to the development of a recycling-based society by transforming waste into resources for manufacturing

Natural resources are not limitless. We must reduce our impact on the environment by efficiently using and reusing these resources.

As a trading company involved in manufacturing, the Toyota Tsusho Group considers it a vital mission to contribute to the environment, secure resources, and provide them in a stable manner.

To effectively use these limited resources, we will develop recycling businesses including recovery and processing or reusable resources from scrap generated from end-of-life vehicles and in plants, secure resources from urban mines, and reuse used vehicles and parts, contributing to a recycling society by recycling waste.

##### Examples of related business and activities, and the referring pages

- Environmentally considerate molten aluminum business (each country) [Page 41](#)
- Plant scrap and end-of-life vehicle recycling business [Page 41](#)



#### ▶ Top-Priority Issues that Will Become Foundations for Company Growth

##### Begin everything we do with ensuring safety and compliance, and continue to be an organization trusted by society

All corporate activities are supported by societal trust and sustained by societal confidence. The Toyota Tsusho Group does its utmost to ensure safety in related companies and the safety of all workers. We are constantly engaged in activities that earn society's trust and confidence, such as conducting safety education activities at plants and offices using our practical safety workshops and ensuring high levels of quality that guarantee safety and security.

In our day-to-day operations, we define specific codes of conduct for all sites and offices, both in Japan and overseas, and strictly comply with laws and regulations such as those concerned with preventing corruption or anticompetitive behavior. We are improving our management transparency and enhancing our corporate governance.

##### Examples of related business and activities, and the referring pages

- Global Code of Conduct & Ethics (COCE) [Page 4](#)
- Evaluating the effectiveness of the Board of Directors [Page 69](#)
- Occupational safety and health education [Page 77](#)





## Contribute to the transition to a low-carbon society by reducing automotive, manufacturing, and energy plant construction CO<sub>2</sub> emissions through the use of clean energy and innovative technologies

Global warming is a major issue that affects all life on the planet. In order to tackle this problem, the Toyota Tsusho Group is actively increasing sales of next-generation eco-cars (HVs, PHVs, EVs, and FCVs), developing infrastructure such as hydrogen stations, reducing vehicle weights by using alternate materials, and securing lithium resources that support increased production of the automobile batteries essential for eco-cars.

We are also using the clean energy knowledge we have accrued through our experience with renewable energy such as wind and solar power together with various innovative technologies to contribute to the realization of a sustainable, low-carbon society by reducing automobile CO<sub>2</sub> emissions, cutting CO<sub>2</sub> emissions through product life cycles, including logistics business, and contributing to eliminating CO<sub>2</sub> emissions from plants.

### Examples of related business and activities, and the referring pages

- Lithium resources mining project in Argentine Republic [Pages 34 and 40](#)
- Wind power in Egypt [Page 52](#)



## Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

The Toyota Tsusho Group undertakes local infrastructure development, industrial development, job creation, and other measures to solve social issues in developing countries in Africa and other regions through its automobile business and other business activities.

In the Republic of Kenya, for example, we worked as a strategic business partner in a national project aimed at supporting the realization of the country's national vision. We used the results as a pilot model to promote the autonomy of local residents and support the growth of the Toyota Tsusho Group through initiatives such as improving living environments by developing basic infrastructure and providing opportunities for occupational training.

### Examples of related business and activities, and the referring pages

- Technopark business in emerging nations [Page 44](#)
- Power substation in Iraq [Page 52](#)
- Participation in Indonesia's first foreign-funded clinical laboratory [Page 60](#)
- Supply of cargo cranes to Mombasa Port in Kenya [Page 64](#)



## Respect human rights, and actively develop people who will contribute to society by nurturing them and giving them opportunities to apply their skills

The Toyota Tsusho Group promotes diversity and inclusion as a management strategy. We are striving to create working environments which bring out the strengths of diverse personnel by undertaking reforms to implement more flexible and productive ways of working.

We are also working to develop human resources that can create business on a global scale and human resources that can achieve success in the global market while providing occupational training opportunities to local communities and actively developing human resources inside and outside the Company that are valuable to and contribute to society.

In our supply chain, we are taking measures to eliminate child labor and forced labor, improving the labor environment from various perspectives as a company that values and protects people.

### Examples of related business and activities, and the referring pages

- Acquired cotton international fair trade certification [Page 60](#)
- Africa Human Resource Development Center [Page 65](#)
- Work-style reforms [Page 76](#)
- Recognized in the Certified Health & Productivity Management Outstanding Organizations Recognition Program [Page 77](#)

Feature

# Turning the Changes to the Automobile Industry into Growth Opportunities Taking on the Challenges of **CASE**

The automobile industry is on the cusp of a once-in-a-century transformation, and **CASE** is considered a key concept that provides a glimpse of what the next generation of the industry will look like. CASE stands for “**Connected,**” “**Autonomous,**” “**Shared,**” and “**Electric.**” These four elements are combining to create innovative technologies and services that create major tides of change.

To make this change into an even greater opportunity for growth, in April 2017 Toyota Tsusho reviewed organizations and established the **NEXT Mobility Development Department** headed by an executive vice president and Chief Technology Officer (CTO) as a Companywide, cross-functional specialized organization. The department coordinates with working groups focused on individual activity themes and the specialist organizations of each product division. Roughly 170 people, including those holding concurrent positions, are engaged in these activities. At roughly the same time, we launched the **NEXT Technology Fund**, a mechanism for rapid decision-making and investment, with the aim of introducing a broad range of technological innovations, not limited to the automotive field, for the Company’s future growth. This special feature introduces Toyota Tsusho’s CASE initiatives, from the fiscal year beginning April 1, 2017 to the present.

### Toyota Tsusho’s Main Next Mobility Initiatives

|                    |                                      |       |
|--------------------|--------------------------------------|-------|
| <b>C</b> onected   | Quantum Computing                    | ① ②   |
|                    | High-precision Satellite Positioning | ③ ④ ⑤ |
| <b>A</b> utonomous | Truck Platooning                     | ⑥     |
| <b>S</b> hared     | Ride Sharing                         | ⑦     |
| <b>E</b> lectric   | Virtual Power Plants (VPPs)          | ⑧ ⑨   |
|                    | Lithium Resource Development         | ⑩     |



## Connected

### Creating Value-added Business through Quantum Computing-based Optimization Technologies

- ① **Cooperation memorandum with D-Wave Systems Inc.**  
(Announced on November 14, 2017)
- ② **Trial of application of quantum computers to commercial services in conjunction with Denso Corporation**  
(Announced on December 13, 2017)

Quantum computers are specialized machines used for combination optimization, determining how to best combine options from a large option pool to achieve the greatest efficiency and profit in specified scenarios. Quantum computers of D-Wave Systems (Canada) are innovative computers that use the natural phenomenon of quantum annealing to solve optimization problems incredibly quick. In November 2017, Toyota Tsusho concluded a cooperation memorandum with D-Wave Systems with the aim of jointly creating business in Japan.

Furthermore, in December 2017 in Bangkok, Thailand, we began a joint trial together with Denso of the world's first commercial application of the system to transportation. The system gathers large amounts of probe data (location and time information) from GPS receivers mounted in probe cars\*1 such as taxis operating within Bangkok. This information is then processed by D-Wave Systems' quantum computers connected via the cloud. This testing will assist us with the proposal of new applications

such as those that use quantum computers to alleviate traffic congestion or determine priority routes for emergency vehicles.

Quantum computers will be used in solutions that work with the growing amounts of data produced by the IoT and the spread of machine learning, meeting real-time optimization needs. They are believed to have tremendous potential for use in diverse fields, from the next-generation automotive sector to logistics, finance, medicine, the environment, and more. We are working to provide Japanese customers with greater value via the implementation of optimized technologies.

\*1 Vehicles with onboard GPS receiver



## Connected • Autonomous

### Expanding the Centimeter-class High-precision Satellite Positioning Business Market Using the Michibiki Quasi-zenith Satellite System (QZSS)\*2

- ③ **Practical demonstration of lane-level high-accuracy route guidance system (JETRO "Project for Nurturing New Industries in ASEAN and Japan" second-round application project)**  
(Announced on January 30, 2018)

The Michibiki QZSS is a satellite positioning system developed in Japan.

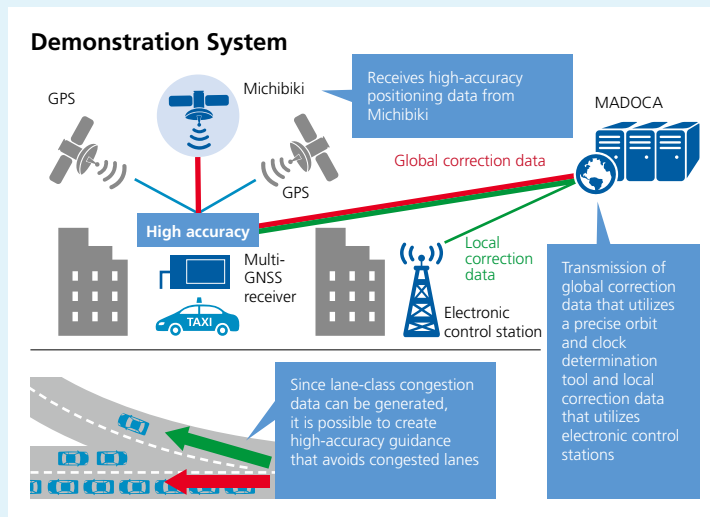
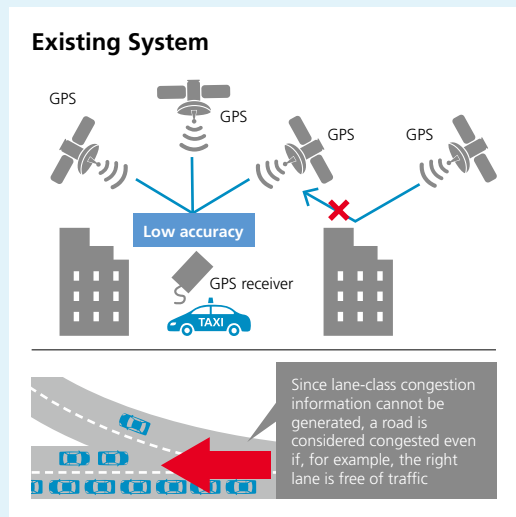
In March 2018, Toyota Tsusho carried out a demonstration project in Bangkok, Thailand, that utilized Michibiki and MADOCA\*3 to gather lane-class probe information—which cannot

be done using existing systems—with the aim of realizing the practical application of a lane-level high-accuracy route guidance system. The demonstration project equipped probe cars that operate in urban Bangkok with high-accuracy multi-frequency multi-GNSS\*4 receivers that can receive signals from Michibiki and correction data from MADOCA. Based on centimeter-class probe data (location and time information), the project sought to evaluate the technologies used by systems that generate lane-level high-accuracy traffic congestion information, and in systems that distribute high-accuracy route guidance. The project also aimed to provide optimal route guidance.

Feature

Through this demonstration, the Toyota Tsusho Group sought both to further contribute to alleviating traffic congestion in Thailand by improving its traffic information services, and to expand its business in **fields that utilize high-accuracy positioning technologies.**

\*2 A Japanese satellite positioning system comprised primarily of quasi-zenith satellites (the system uses radio waves generated by the satellites to calculate position information)  
 \*3 Short for "Multi-GNSS Advanced Demonstration tool for Orbit and Clock Analysis" and developed by the Japan Aerospace Exploration Agency (JAXA), MADOCA is a system that generates satellite signal correction data. It is a precise orbit and clock determination software that supports multiple GNSSs.  
 \*4 Global Navigation Satellite System: GNSS is a collective term for global satellite positioning systems such as GPS, GLONASS, Galileo, and QZSS.



- ④ **Investment in Magellan Systems Japan Inc., which possesses centimeter-class satellite positioning technologies (NEXT Technology Fund project)**  
 (Announced on January 25, 2018)
- ⑤ **Investment in Global Positioning Augmentation Service Corporation (GPAS) with the aim of commercial launch of centimeter-class satellite positioning service**  
 (Announced on April 20, 2018)

Toyota Tsusho has invested in Magellan Systems Japan (Magellan) and GPAS with the aim of collaborating in business areas that utilize high-accuracy satellite positioning technologies.

Magellan, with its centimeter-class satellite positioning technologies, was the first company in the world to develop and sell **multi-frequency multi-GNSS receivers—the only receivers capable of receiving MADOCA correction data** provided by Michibiki.

Through this investment, Toyota Tsusho intends to utilize Magellan's high-accuracy positioning technologies globally in autonomous driving systems in the fields of automobiles and agricultural and construction equipment. At the same time, Toyota Tsusho intends to create a variety of services utilizing these systems, such as advanced ITS services, including lane-level traffic congestion information distribution and V2X\*<sup>5</sup>; fully automated services, such as delivery services that utilize drones and self-propelled robots; and services aimed at smart farming and

i-Construction\*<sup>6</sup>, which make use of automated agricultural and construction equipment.

GPAS is **the only company that transmits correction data generated by MADOCA.** We will collaborate with related companies and government agencies to promote the discovery and commercialization of new needs for satellite signal correction data provision services, which will serve as the technical platform essential for high-precision satellite positioning.

Satellite positioning is composed of three areas (the satellite, terrestrial, and user areas), and through our investment in these companies we are participating in two of these—the terrestrial and user areas. Our aim is to develop the nascent market for **high-precision satellite positioning businesses** using QZSS. We will contribute via these services to the resolution of societal problems, including the realization of a safe and economical road traffic society, and both energy and labor savings in the agricultural and construction industries, where an aging workforce and shortage of labor are growing concerns.

\*5 V2X ("vehicle to everything") is a vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) wireless communications system. The system bypasses the cloud to enable direct communications between one vehicle and another, and between a vehicle and traffic lights, road signs, and other elements of infrastructure. In so doing, it aims to reduce road traffic accidents and congestion.

\*6 i-Construction is a new standard that utilizes ICT technologies in all construction processes, from surveying and design to construction and management, with the aim of improving productivity on construction sites.

## Autonomous

### Achieving Real-world Truck Platooning

- ⑥ **World's first\*<sup>7</sup> test of truck platooning with manned following trucks on expressways using CACC\*<sup>8</sup>**  
(Announced on January 12, 2018)

Toyota Tsusho was contracted by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism to carry out a truck platooning demonstration project, and we conducted related research and development. As part of this project, in January 2018 the world's first expressway demonstration test of truck platooning was carried out using trucks developed by four domestic manufacturers, in a platoon with drivers in the second and following trucks on part of the Shin-Tomei Expressway. This demonstration checked the visibility of the truck platoon and the effects of the truck platooning on the behavior of surrounding vehicles.

There is a great deal of expectation regarding truck platooning among Japanese truck logistics companies as a way to cope with the lack of drivers, improve safety, and reduce energy consumption. There is a strong need to be able to operate with reduced manpower through truck platooning, especially on long-distance overnight trunk routes like the Tokyo–Osaka route.

Toyota Tsusho is continuing to promote demonstration projects in order to realize truck platooning on expressways.



\*7 This demonstration was the world's first demonstration project regarding expressway travel using truck platooning with drivers in the second and following trucks, using trucks from different manufacturers and that use CACC technology jointly developed by multiple truck manufacturers.

\*8 Short for "Cooperative Adaptive Cruise Control," the CACC function receives control information from a leading vehicle, automatically controls speed, and maintains a predetermined inter-vehicle distance.

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## Shared

### Strategic Collaboration in the New Mobility Service Field

- ⑦ **Investment in Grab Inc., Southeast Asia's largest ride-hailing service company (NEXT Technology Fund)**  
(Announced on August 30, 2017)

Toyota Tsusho has invested in Grab as part of its efforts to accelerate collaboration in a new mobility service sector.

With advancements in digital technologies and increased use of smartphones and other mobile devices over recent years, many countries and territories around the world have seen a rapid increase in the adoption of ride-sharing services that use privately

owned cars, such as car-sharing services and taxi dispatch services.

Founded in 2012, Grab is Southeast Asia's leading on-demand transportation and mobile payment service provider. Toyota Tsusho conducts a range of automobile-related businesses within Southeast Asia, including automobile sales, service, and telematics. Through this new investment, Grab and Toyota Tsusho hope to expand strategic alliances in a new mobility service sector.



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## Electric

### Promoting Virtual Power Plants (VPPs) Using Electric Vehicles (EVs) While Adding Value to EV Ownership

- ⑧ **Investment in U.S. startup that is the first in the world to engage in commercial vehicle-to-grid (V2G) operation (NEXT Technology Fund project)**  
(Announced on December 15, 2017)
- ⑨ **Participation in VPP V2G aggregator demonstration project that utilizes PHV/EV storage batteries**  
(Announced on May 30, 2018)

VPPs are mechanisms that connect and aggregate renewable energy power generation sources, such as solar power generation sources, batteries, and other power sources at places including homes and factories. Toyota Tsusho has invested in Nuve Corporation, a U.S. startup operating a V2G system that controls the charge and discharge of the batteries in EVs connected to charging stations based on the electrical supply-and-demand balance of electrical grids\*<sup>9</sup>. Nuve's system creates a VPP that

Feature

can simultaneously control the charging and discharging of multiple parked EVs.

V2G technology has the ability to adjust for fluctuations in renewable energy output due to changes in weather conditions, benefits EV owners by generating income when using the batteries of vehicles that are not in use, and can lower the cost of EV purchasing and maintenance. In Japan, the Ministry of Economy, Trade and Industry is carrying out V2G technology demonstrations and feasibility studies. In countries and regions in which EVs are expected to become more widespread, such as Japan, Toyota Tsusho and Nuvve will promote the creation and adoption of V2G businesses that use EVs and PHVs, further

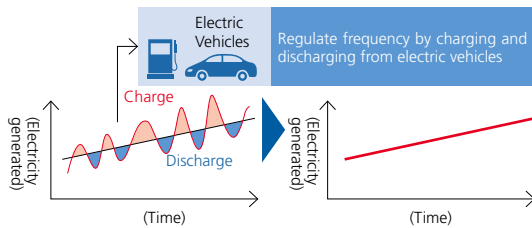
supporting **the penetration of renewable energy and creating added value for EVs.**

Furthermore, Toyota Tsusho and Chubu Electric Power Co., Inc. have jointly applied for subsidies to initiate the V2G Aggregator Demonstration Project as a part of the Ministry of Economy, Trade and Industry Agency for Natural Resources and Energy's FY2018 Subsidies for Virtual Power Plant Demonstration Projects Using Demand Side Energy Resources, and their application was officially approved on May 29, 2018.

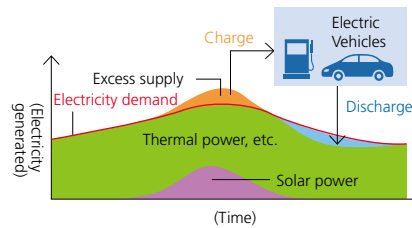
\*9 "Electrical grids" refers to all equipment from electricity production to consumption, including power generation equipment, power transmission equipment, transformers, electrical distribution equipment, and consumer equipment.



**Balancing Control Power**



**Supply Capacity Shifting**



- Accelerate the introduction of PHVs/EVs, which only have low negative environmental impacts, by providing new values of PHVs/EVs with bi-directional chargers.
- Reduce the cost of demand and supply adjustment of electricity by acquiring new types of Distributed Energy Resources, which results in further diversification.

➡ **Contribute to the realization of a low-carbon society and stable supply of electricity**

**Increasing Lithium Production and Securing Resources in the Argentine Republic**

**⑩ Strategic investment in Orocobre Limited, a lithium resource development company, through third-party allocation of new shares**

(Announced on January 16, 2018)

Amid the accelerating shift from gasoline- and diesel-powered vehicles to EVs in industrialized nations, Toyota Tsusho predicts that the use of **lithium-ion batteries** in electronic devices will continue to grow, and lithium demand will rise further.

We are carrying out a lithium resource development project in conjunction with Australia-based Orocobre, in which we have recently invested, at the Olaroz Salt lake in Argentina. This project pumps up brine, from which it refines lithium carbonate, which is then sold. (Toyota Tsusho has invested roughly 292 million AUD (15% of the Company's common stock (after full dilution).)

Through this investment, we will create a strategic alliance and further increase our production capacity. The expansion of the project (Phase 2) aims for a production capacity of approximately 25,000 tons per year, and an overall production capacity of 42,500

tons per year when operations start in the latter half of 2019. As with Phase 1, Toyota Tsusho will have exclusive sales rights to the lithium produced in Phase 2, and will secure a long-term, stable supply of lithium.

Together with Orocobre, we will secure a mid-term and long-term **stable supply of lithium**, with considerations toward creating a value chain that includes a lithium hydroxide production business in Japan.

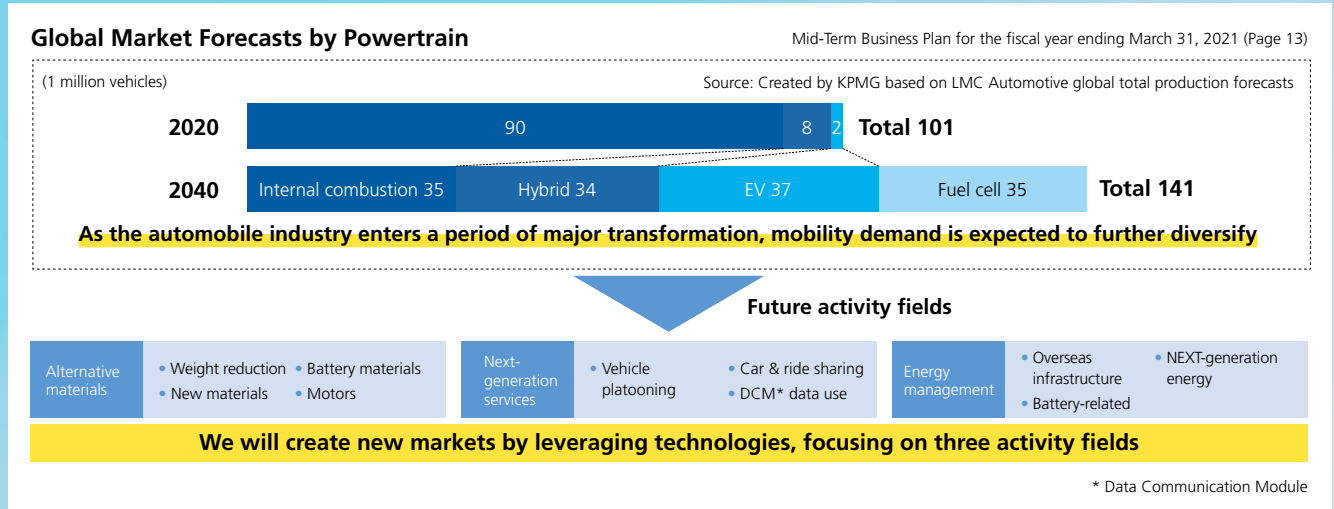
**Overview of Olaroz Project**

|                     |   |
|---------------------|---|
| Location            | Olaroz Salt lake, Jujuy Province, northern Argentina                            |
| Production volume   | 17,500 tons per year (operations started in 2014)                               |
| Share ratio         | Orocobre: 66.5%<br>Toyota Tsusho: 25.0%, JEMSE: 8.5%                            |
| Sales agency rights | Toyota Tsusho: 100%<br>Note: All sales consigned to Toyota Tsusho Material Inc. |

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## Next-generation Mobility Strategy—Future Policy

As the automobile industry enters a period of major transformation, powertrain and mobility demand is expected to further diversify. Toyota Tsusho aims to use its technologies to create new markets, focusing on the three fields of alternative materials, next-generation services, and energy management.



## CASE Supporting Initiatives in the Field of Electronics

### NEXTY Electronics Corporation, the Core of the Toyota Tsusho Group's Electronics Business

In April 2017, the former TOMEN Electronics Corporation and the former Toyota Tsusho Electronics Corporation merged to form the new electronics trading company NEXTY Electronics Corporation. This electronics trading company has the highest sales in Japan and the highest automotive electronics sales volume in the world. As technological innovation continues to accelerate, NEXTY Electronics will lead the evolution of car electronics used in autonomous driving while also meeting the needs of customers and society in a wide range of fields, such as the IoT and industrial machinery, and providing solutions. It will aim to become a partner in innovation for its customers by providing technologies, quality, and functions via modules and systems instead of individual units.

During the fiscal year ended March 31, 2018, NEXTY Electronics actively invested in the software field, providing capital to four companies and establishing two joint ventures. In the future, it plans to increase its number of software engineers to 2,500. Its unique strengths include its two Japanese and three overseas quality analysis centers, which it uses to reinforce its global-level quality functions.

As one of the core companies in the Toyota Tsusho Group's electronics business, NEXTY Electronics will use its technical proposal capabilities and overseas networks to become a leading global electronics trading company.

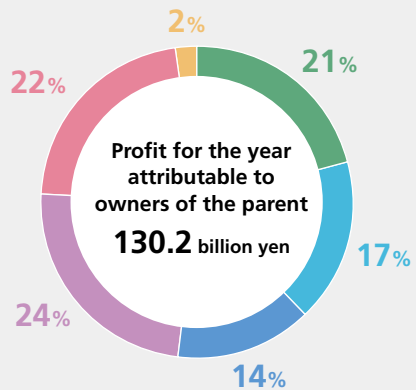
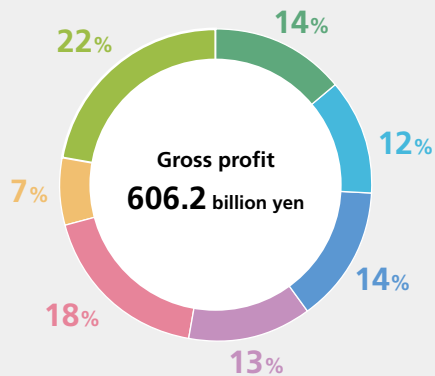
### TSQUARE Traffic Congestion Information Provision Service

TSQUARE, a service that provides traffic congestion information, was used as a platform for the quantum computer and high-precision satellite positioning demonstration projects discussed in this feature. It was launched in 2012 by TOYOTA TSUSHO NEXTY ELECTRONICS (THAILAND) CO., LTD. for use in Thailand, which has one of the highest levels of traffic congestion in the world. Probe data (location and time information) collected from roughly 130,000 probe cars such as taxis with GPS receivers is used to generate traffic congestion information. This information is then relayed via a traffic congestion application as well as supplied to automobile manufacturers, helping contribute to the alleviation of Thailand's traffic congestion problems.



## At a Glance

**Business Overview by Division for the Fiscal Year Ended March 31, 2018 (IFRS)**



**Overview of Profit for the Year Attributable to Owners of the Parent (compared to the fiscal year ended March 31, 2017)**

As a result of improved market conditions, profit in the Metals Division was up 2.5 billion yen (9.9%), to 27.8 billion yen. In the Global Parts & Logistics Division, profit increased 6.8 billion yen (42.6%), to 22.8 billion yen, mainly due to increased handling of automotive parts. The Automotive Division reported higher profit, up 3.3 billion yen (21.9%), to 18.3 billion yen, as a result of an increase in overseas automobile sales handled by automotive dealers. Profit in the Machinery, Energy & Project Division was up 15.9 billion yen (98.7%), to 32.0 billion yen, primarily due to the effects of gas business losses in the previous term and gas business sales profits in the current term. In the Chemicals & Electronics Division, profit rose 18.8 billion yen (183.9%), to 29.0 billion yen, mainly as a result of the sale of some subsidiary stocks, increased handling of electronics-related products, and one-time losses during the previous term. The Food & Consumer Services Division reported an increase in profit of 11.3 billion yen, to 2.3 billion yen, mainly because of fixed asset impairment losses in the previous term. The Africa Division reported a loss of 3.2 billion yen, down 8.9 billion yen, mainly because of fixed asset impairment losses.

- Metals Division
- Global Parts & Logistics Division
- Automotive Division
- Machinery, Energy & Project Division
- Chemicals & Electronics Division
- Food & Consumer Services Division
- Africa Division

### Business Fields



#### Metals Division

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|                                  |  |
|----------------------------------|--|
| <b>Automotive metal products</b> | 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  |
| <b>Metal products</b>            | Processing and distribution of metal products used outside the automotive industry, and energy and infrastructure-related metal business   |
| <b>Metal resources</b>           | 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 |



#### Global Parts & Logistics Division

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|   |   |
|---|---|
| <b>Global parts</b>                         | 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)                                  |
| <b>Logistics business</b>                   | 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 |
| <b>Parts assembly</b>                       | Local tire and wheel assembly and other assembly services for automotive parts  |
| <b>Automotive materials and accessories</b> | Provision of integrated services ranging from planning, development, and materials procurement to production and sales of automotive interior and exterior parts and accessories  |



## 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

page 50 >

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



## Chemicals & Electronics Division

page 54 >

|                                     |   |
|-------------------------------------|---|
| <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

page 58 >

|                  |  |
|------------------|--|
| <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

page 62 >

|                                    |   |
|------------------------------------|---|
| <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; and automobile production support and local parts manufacturing in South Africa |
| <b>Healthcare and chemical</b>     | Pharmaceutical wholesaling, pharmaceutical production, and remote medicine  |
| <b>Consumer goods</b>              | Manufacture and wholesale of consumer goods (beverages, cosmetics, etc.); retail business covering shopping center development, operation, and e-commerce; and agricultural business covering fertilizer production and sales                     |
| <b>Technology and new business</b> | IT business covering system development, integration, and maintenance; energy and plant business including geothermal power generation; and other new business ventures, including food processing and ICT-driven business incubation             |

## Metals Division



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### Market Environment

The global economy continues to expand at a moderate pace despite risks affecting trading activities such as the rise of protectionism. Against such a backdrop, the automotive industry's diverse product needs are expected to grow during this period of major structural and service reforms, such as the development of electric vehicles (EVs), automated driving, and car sharing.

### Risks and Opportunities

As society makes greater demands for ESG investment, the Division recognizes the creation of business models that are more closely aligned with the environment and society as a critical management challenge. In order to meet these social demands, the Division will create new opportunities in the form of business innovation, function creation, and new market development through the creation of efficient energy and recycling systems.

### 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.

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

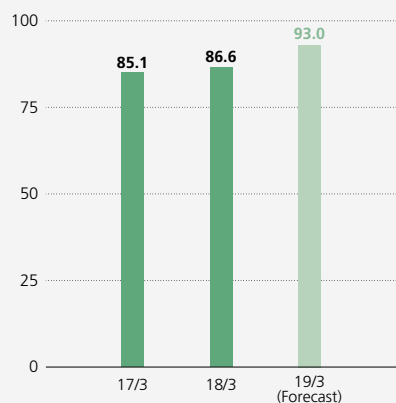
In April 2017, the Metals Division reorganized into three businesses: automotive metal products, metal products, and metal resources. As a result, the Division transformed from a group of





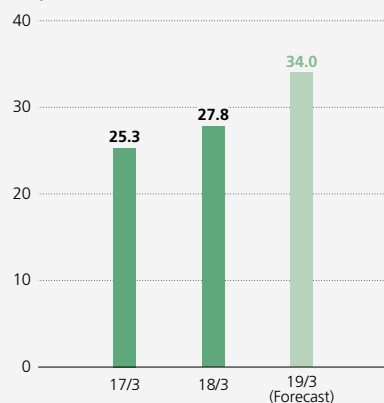
### Gross Profit

(Billion yen)



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

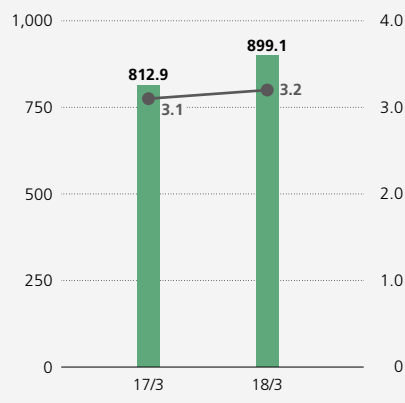
(Billion yen)



### Segment Assets / ROA\*

(Billion yen)

(%)



■ Segment assets ● ROA (right scale)

\* For the fiscal year ended March 31, 2017, total assets at the fiscal year-end are presented as the denominator for ROA as the total assets at the beginning of this fiscal year have not been calculated according to the current segment classification. In regard to ROA for the fiscal year ended March 31, 2018 and thereafter, 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.

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 EVs. 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 through offensive and defensive strategies with the aim of achieving its medium- and long-term goals.

**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



Initiatives for Achieving Our Vision



Lithium Resources Mining Project in the Argentine Republic

CSR Materiality

Contribute to the transition to a low-carbon society by reducing automotive, manufacturing, and energy plant construction CO<sub>2</sub> emissions through the use of clean energy and innovative technologies

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 EVs 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. In 2018, Toyota Tsusho acquired a 15% stake in partner Orocobre, building an even stronger relationship.

As the sole sales agent of the lithium carbonate produced by the project, the Division will use the Company's global network to meet demand both at home and around the world. Looking ahead, the Division will contribute to the transition to a low-carbon society by providing a steady supply of the lithium batteries used in next-generation environmentally friendly vehicles.



New Automotive Steel Sheet Processing Plant Begins Operation in India

CSR Materiality

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

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 plant began mass production in the second half of the fiscal year ending March 31, 2018.

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.



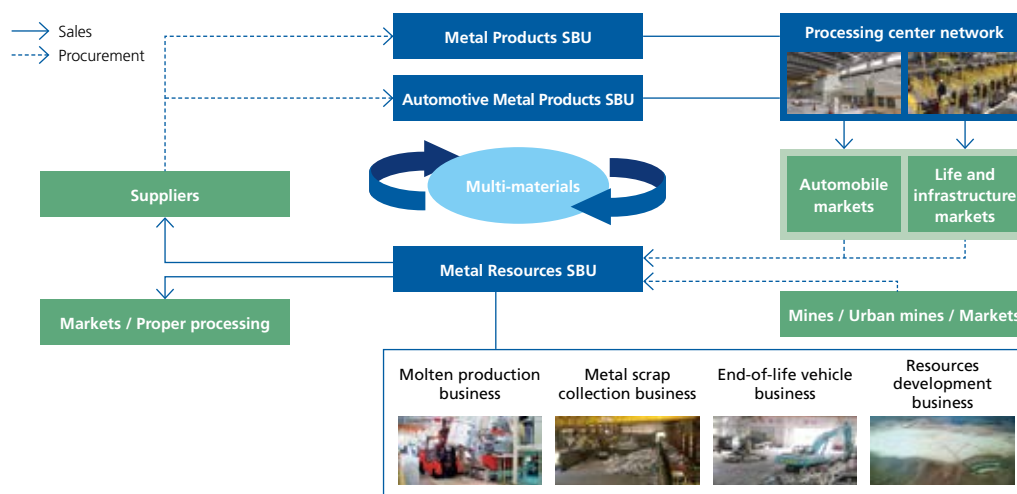


## Business Model of Our Core Business

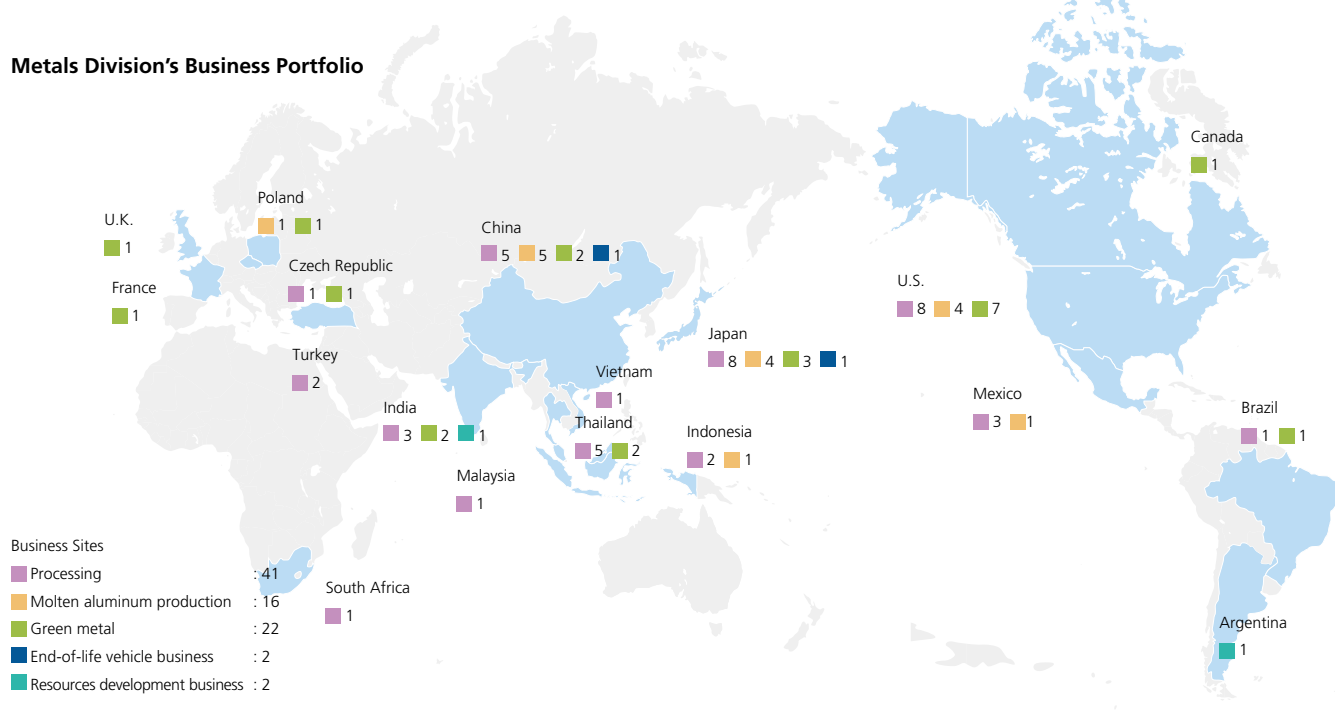
### ► High-quality Processing, Logistics, and Storage Services

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 83 such highly functional business sites in 18 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.

### Business Strengths

The Global Parts & Logistics Division's network spans 38 nations, with 177 sites operated by 79 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.

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

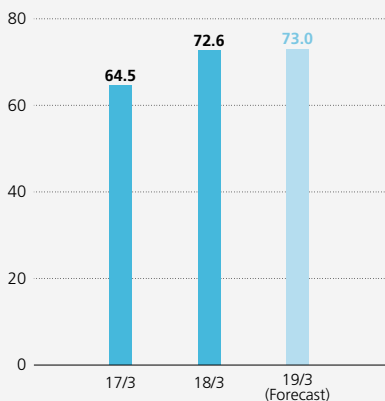
In the Toyota Tsusho core domain of Mobility, the Global Parts & Logistics Division is integrating and further developing its product planning, raw materials processing, supply-and-demand management, logistics, and assembly functions. The Division also acts as the vanguard for market development in emerging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



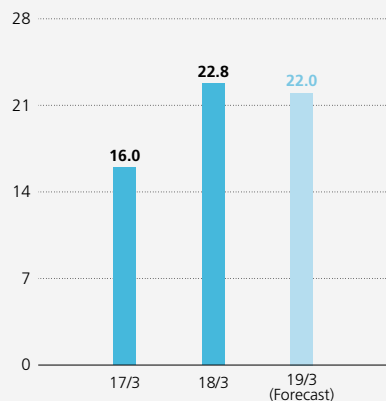
### Gross Profit

(Billion yen)



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

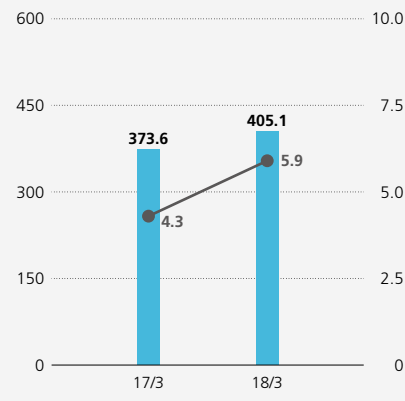
(Billion yen)



### Segment Assets / ROA\*

(Billion yen)

(%)



■ Segment assets ◆ ROA (right scale)

\* For the fiscal year ended March 31, 2017, total assets at the fiscal year-end are presented as the denominator for ROA as the total assets at the beginning of this fiscal year have not been calculated according to the current segment classification. In regard to ROA for the fiscal year ended March 31, 2018 and thereafter, 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.

manufacturers with parts processing and subcontracting services. The technopark business will be further expanded in emerging countries 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 countries.

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 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 the foundation provided by its multifunctional capabilities, combining a global network, logistics infrastructure, supply-and-demand management, and assembly, to support its manufacturing value chain by leveraging its management capabilities and proactive functions.

**The Global Parts & Logistics Division supports its manufacturing value chain by leveraging its management capabilities and proactive functions.**

### Jun Eyama

Managing Executive Officer  
Chief Division Officer of Global Parts & Logistics Division



Initiatives for Achieving Our Vision



The Technopark Business Supports Japanese Manufacturers' Entry into Emerging Countries

CSR Materiality

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

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.



Response to Automobile Market Expansion and Compliance with Safety Standards (Airbag Cushion Manufacturing)

CSR Materiality

Strive for the elimination of traffic casualties and contribute to the creation of a safe and comfortable mobility society

The passenger vehicle market in India is growing rapidly, and the use of safety equipment is becoming more widespread as the Indian government implements measures to improve traffic safety. This is expected to create greater demand for airbags. To capture this market opportunity, the Toyota Tsusho Group has established a new airbag cushion manufacturing company near Delhi, the first in India. This company joins those already in operation in China and Vietnam.

This plant will contribute to the creation of local jobs by regularly hiring graduates from government-supported occupational training schools. It will also further promote the social advancement of women by exclusively hiring women as manufacturing personnel.

There is a great deal of interest in safety performance in the passenger vehicle market, and motorization is accelerating in emerging markets. Accordingly, the Division will establish a global manufacturing system for this business segment.





## Business Model of Our Core Business

### ▶ Creating an Optimal Value Chain for Customers

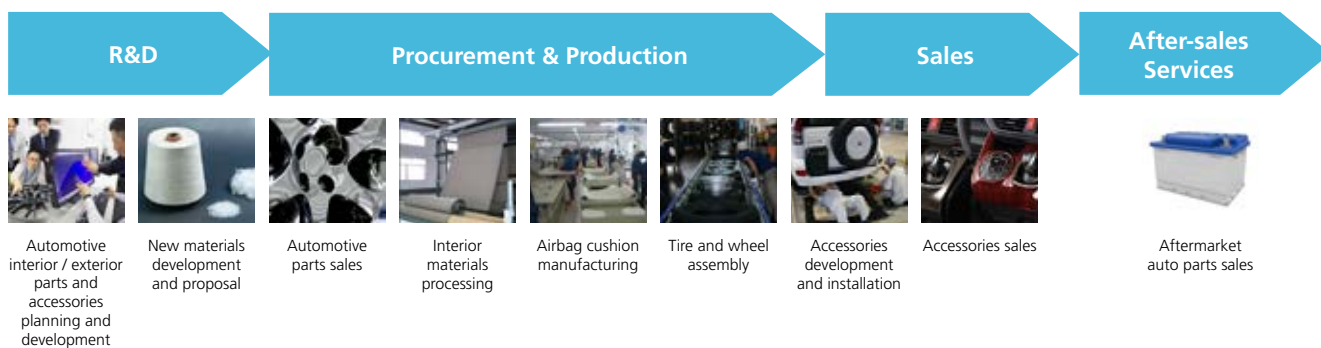
The Global Parts & Logistics Division's extensive global network of self-owned logistics sites enables it to perform mixed loading and consolidated transportation ("milk-run") and relay station logistics ("cross-dock"). Meanwhile, the superior IT capabilities of this logistics network make it possible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

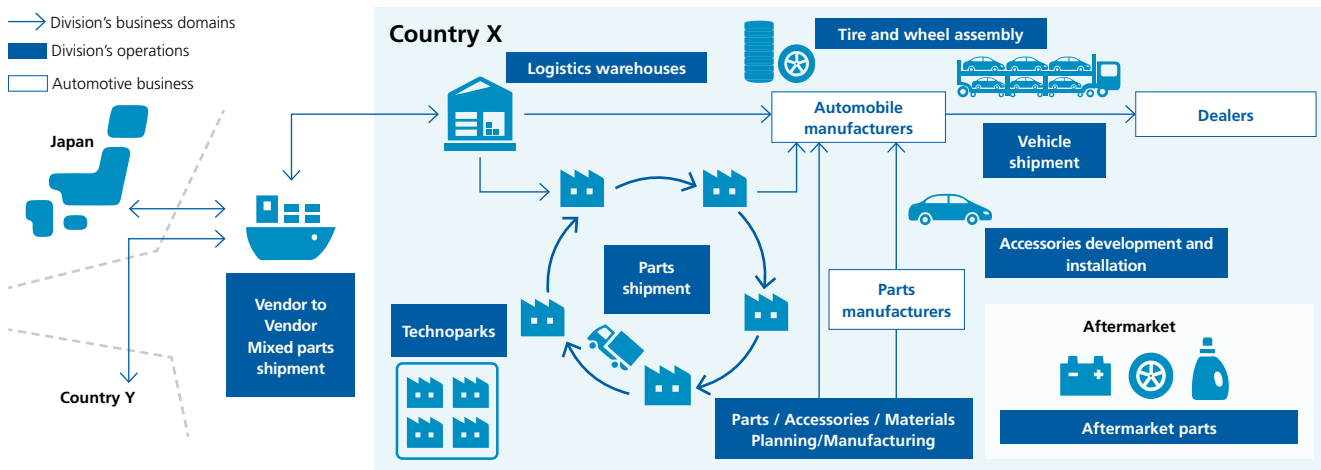
same time, it reduces transportation costs, shortens delivery lead times, and minimizes inventories. In its accessories and materials business, the Division creates value throughout the product value chain, from product planning, design, and development to products supply, production preparation, and quality management.

The Division has established systems to optimize manufacturers' value chains through the technopark, parts assembly, vehicle transport, and accessory-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 automotive industry is undergoing a once-in-a-century transformation characterized by innovative technologies such as automotive digitalization and autonomous driving. Together, these are expected to usher in the next generation of 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. 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.

### Business Strengths

The Automotive Division exports passenger cars, commercial vehicles, trucks, buses, material handling machineries, motorcycles, and spare parts manufactured primarily by the Toyota Group in Japan to countries around the world, and also exports products manufactured outside Japan to other countries. The Division's global network covers 146 nations, with the Division having its own business management operations in 48 nations. (Including the vehicle business of the Africa Division, this total becomes 175 nations worldwide, with the Division having its own business management operations in 87 nations.)

In countries, primarily new emerging nations, where the Division already operates distributor businesses, it is establishing and expanding value chains and promoting small- and medium-scale vehicle assembly, vehicle installation and conversion, used vehicle sales, captive finance and lease, and other businesses related to automotive sales. The Division develops unique strengths by combining these businesses and functions.

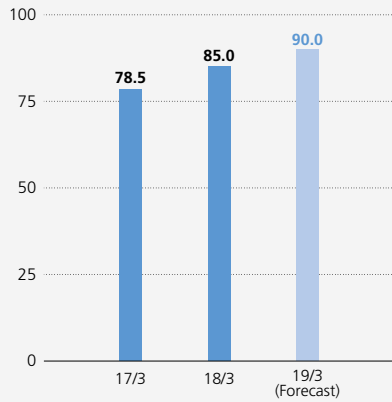
The successful operation of multifaceted automotive sales business initiatives in many countries enables the Division to provide the additional functions of rapidly gathering information on political and economic trends, market trends, and consumer behavior in each country, and then provide feedback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





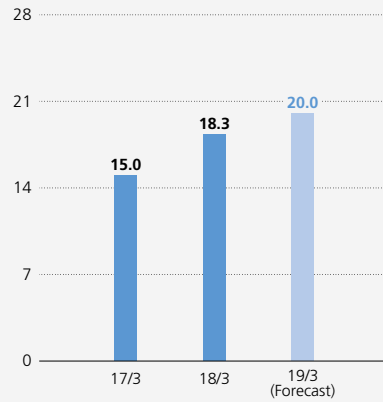
### Gross Profit

(Billion yen)



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

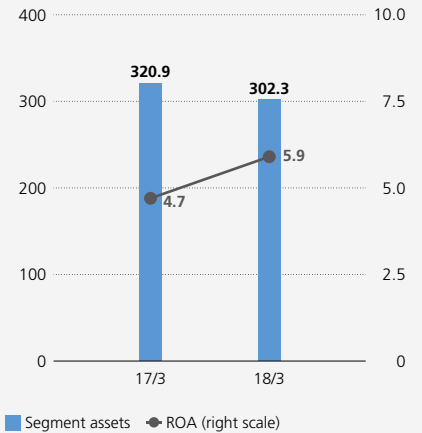
(Billion yen)



### Segment Assets / ROA\*

(Billion yen)

(%)



\* For the fiscal year ended March 31, 2017, total assets at the fiscal year-end are presented as the denominator for ROA as the total assets at the beginning of this fiscal year have not been calculated according to the current segment classification. In regard to ROA for the fiscal year ended March 31, 2018 and thereafter, 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.

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

In the core automotive distributor and dealer businesses, the Automotive Division is strengthening a business structure that delivers vehicles to customers throughout the world and integrates the three elements of sales, spare parts, and after-sales services. With this structure, we turn the customers of all of our brands into lifetime customers by 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 mobility value chain in all areas, not only our existing automotive business.

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 automotive industries and nations.

The Division serves as the vanguard for non-automotive business opportunities in new emerging markets, or 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. We see these changes to the fundamental form of the automotive business as opportunities, and we will create new functions and added value while developing new business fields to contribute to next-generation vehicles and a next-generation mobility society.

**The Automotive Division aims to become the most reliable mobility solutions provider in the world, possessing the strategies, expertise, and human resources needed in this market of accelerating innovation.**

### Masato Yamanami

Managing Executive Officer  
Chief Division Officer of  
Automotive Division



Initiatives for Achieving Our Vision



New SUV Assembly Line-off Ceremony Held in Egypt

CSR Materiality

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

In July 2017, Toyota Motor Engineering Egypt S.A.E. (Toyota Tsusho equity participation: 40%) held a line-off ceremony for the "Fortuner" at a plant belonging to Arab American Vehicle Co., an assembly subcontractor.

Over approximately three years since project consideration began in October 2014, Toyota Tsusho, which is responsible for vehicle quality management, supply-and-demand management, and logistics management, has accrued know-how through its coordinated activities with its partner during the processes of project planning, contracting, production preparation, and purchasing and procurement. We have further strengthened our position as a manufacturing trading company with a technological perspective.

Through this project, we will further develop our knowledge and skills as we seek to create more new businesses in Egypt and broaden our business territory, including expanding markets.



Investment in Grab, Southeast Asia's Largest Ride-hailing Service Company

CSR Materiality

Strive for the elimination of traffic casualties and contribute to the creation of a safe and comfortable mobility society

Toyota Tsusho is engaged in automotive-related business in countries throughout Southeast Asia. In August 2017, in order to promote business collaboration in new mobility service fields, we invested in Grab Inc., which was established in 2012 and has become Southeast Asia's leading on-demand transportation and mobile payment service provider.

Through this tie-up, we will promote strategic collaboration in new mobility service fields in the region, focused on connected cars, vehicle supply, and insurance. We will promote our strategic initiatives for rapidly responding to sudden market changes and dedicate ourselves to the creation of a comfortable mobility society.



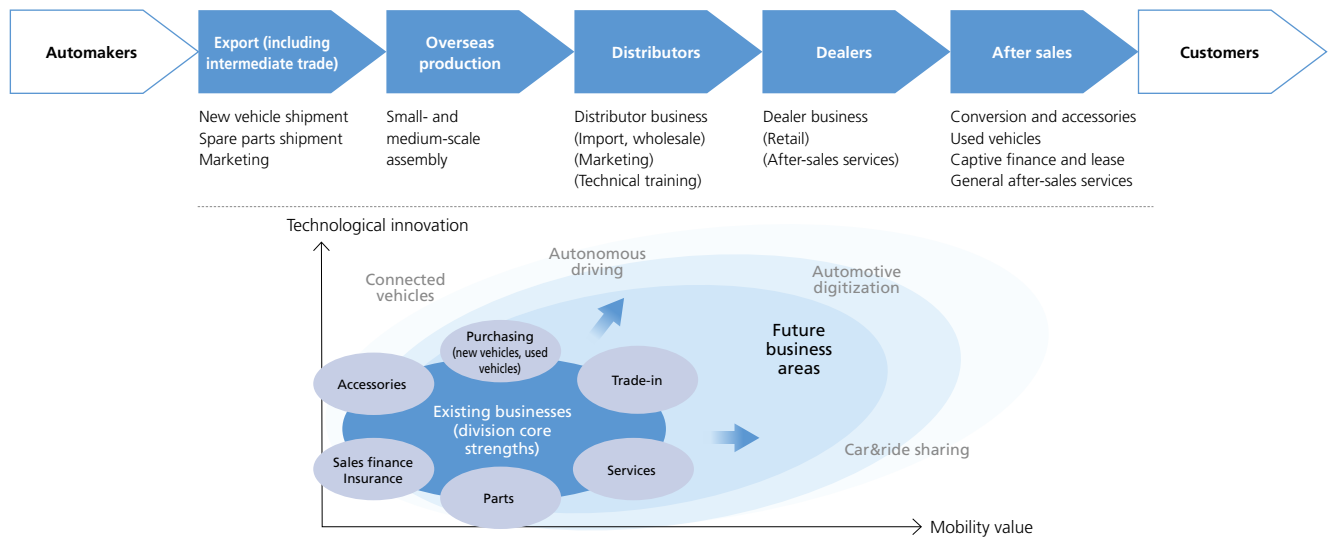


## Business Model of Our Core Business

### ▶ Integrated Sales Structure and Robust Mobility Sales Value Chains

The Automotive Division relies on its automotive 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 business environments and needs, spare parts, and after-sales services, which are supported by technical training and staff development. At the same

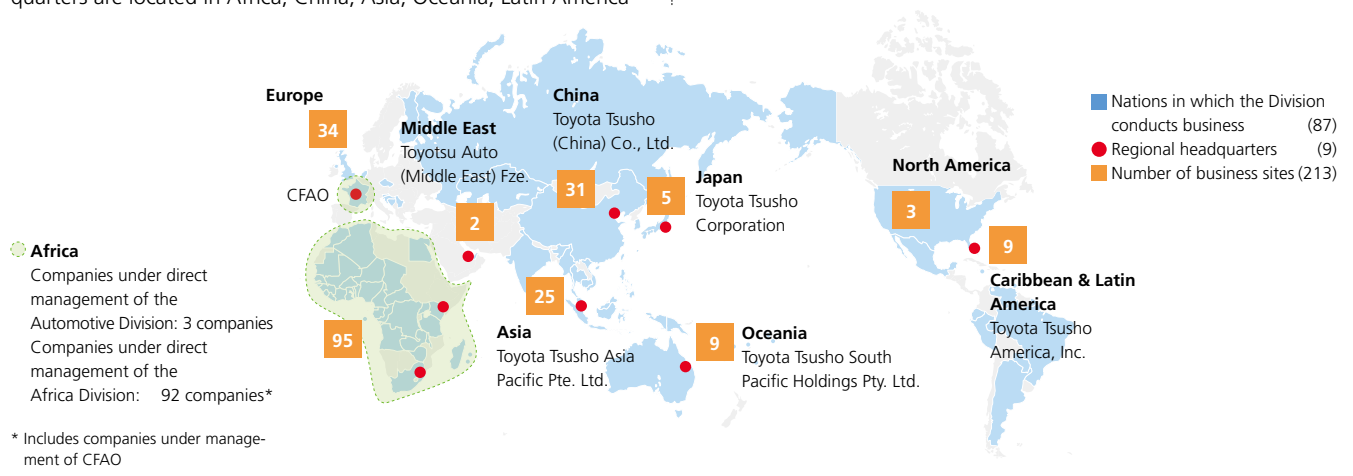
time, the Division builds and expands mobility sales value chains by developing peripheral businesses such as small- and medium-scale vehicle assembly, vehicle installation and conversion, used vehicle sales, and captive finance and lease. We are also actively expanding our activities in business fields that maximize mobility value for people and objects, including next-generation mobility.



### ▶ Worldwide Operations and Regional Strategies

The Division is currently operating distributors, dealers, and other businesses in 48 nations (87 nations including the vehicle business of 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, China, 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, and our functions to develop new businesses in order to construct and expand mobility 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), and the emergence of next-generation mobility societies. 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 stricter environmental regulations and 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.

### Business Strengths

The Machinery, Energy & Project Division is engaged in the machinery and equipment business (primarily in the automotive industry), the construction equipment business, the electric power business, the energy business (natural gas, oil, and coal projects), and the plant business.

In the 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, construction equipment, medical equipment, and other types of industrial equipment around the world.

In the electric power business, the Division develops and operates renewable power generation businesses around the world, such as wind power businesses, solar power businesses, as well as conventional thermal power generation businesses.

In the energy business, the Division supplies competitive crude oil, petroleum products, coal, liquefied natural gas, and biomass fuel to customers in Japan and overseas.

In the plant business, the Division makes business proposals and conducts fund-raising, engineering, procurement, and plant construction to contribute to the development of core infrastructure in emerging countries.

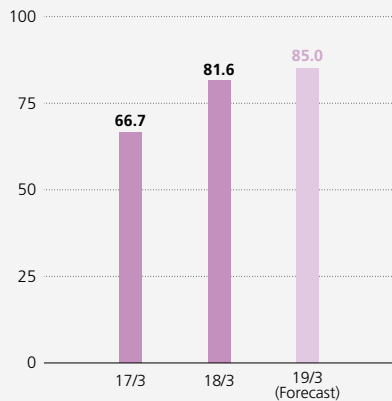
### Medium- to Long-term Initiatives and Priority Strategies

The Machinery, Energy & Project Division continually copes with significant changes in the business environment, most notably automakers' capital investment trends, structural changes in the automotive industry as a result of the transition to a next-generation mobility society, structural shifts in energy demand



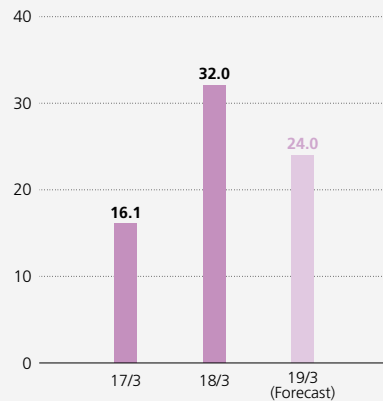
### Gross Profit

(Billion yen)



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

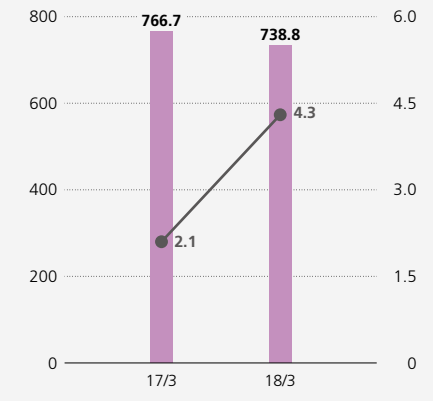
(Billion yen)



### Segment Assets / ROA\*

(Billion yen)

(%)



■ Segment assets ◆ ROA (right scale)

\* For the fiscal year ended March 31, 2017, total assets at the fiscal year-end are presented as the denominator for ROA as the total assets at the beginning of this fiscal year have not been calculated according to the current segment classification. In regard to ROA for the fiscal year ended March 31, 2018 and thereafter, 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.

stemming from heightened environmental consciousness, and geopolitical change in the Middle East. Amid such changes, the Division is striving to increase the stability of its business.

Specifically, in its machinery and equipment business, the Division is promoting smart factories by using IoT and other technologies to raise production efficiency in manufacturing operations and capturing new opportunities to expand business beyond automotive production equipment. It is also developing new products in countries such as India.

In the electric power business, the Division intends to contribute to solving global environmental issues by expanding its clean energy operations globally to stabilize nations' electricity supplies, mainly through renewable energy (wind, solar, geothermal, biomass, etc.).

In the 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 businesses in the biomass fuel market.

In the plant business, the Division has a competitive footing in the Middle East, where it is contributing to emerging countries economic development through project development and a high-quality infrastructure export strategy, while also developing new functions in traffic infrastructure and other areas. The Division is also dedicating itself to infrastructure exports to Africa.

Going forward, the Division will reinforce the current earnings structure of existing businesses in fields such as machinery and equipment, electric power, energy, and plant 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.

**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 a machinery and equipment business, electric power business, and plant businesses.**

### Toshiro Hidaka

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



Initiatives for Achieving Our Vision



### Participation in Egypt's First Wind Power IPP Project

**CSR Materiality**

Contribute to the transition to a low-carbon society by reducing automotive, manufacturing, and energy plant construction CO<sub>2</sub> emissions through the use of clean energy and innovative technologies

Toyota Tsusho and Eurus Energy Holdings Corporation have received an order to build, own, and operate a 262.5 MW wind power plant in Egypt. Under an independent power producer (IPP) scheme, the companies will operate the plant and sell generated electricity for 20 years after completion of construction. Construction is expected to take two years from the project start at the end of 2017, with commercial power sales beginning in December 2019. This marks Egypt's first-ever wind power IPP project.

The planned site of the power plant on the Gulf of El Zayt, along the coast of the Gulf of Suez, boasts excellent year-round wind conditions. The new plant will leverage the advantageous wind conditions and location to optimize power generation and contribute to Egypt's introduction and expansion of renewable energies through green, low-cost wind power.



Rendered image: Wind power plant



### Power Substation Project in the Republic of Iraq

**CSR Materiality**

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

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. Iraq suffers 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 MUFG Bank, 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 and is taking an active part in a wide range of projects in its electric power and other industries.



Rendered image: Stationary substation (Provided by Toshiba Corporation)



Rendered image: Mobile substation (Provided by Meidensha Corporation)

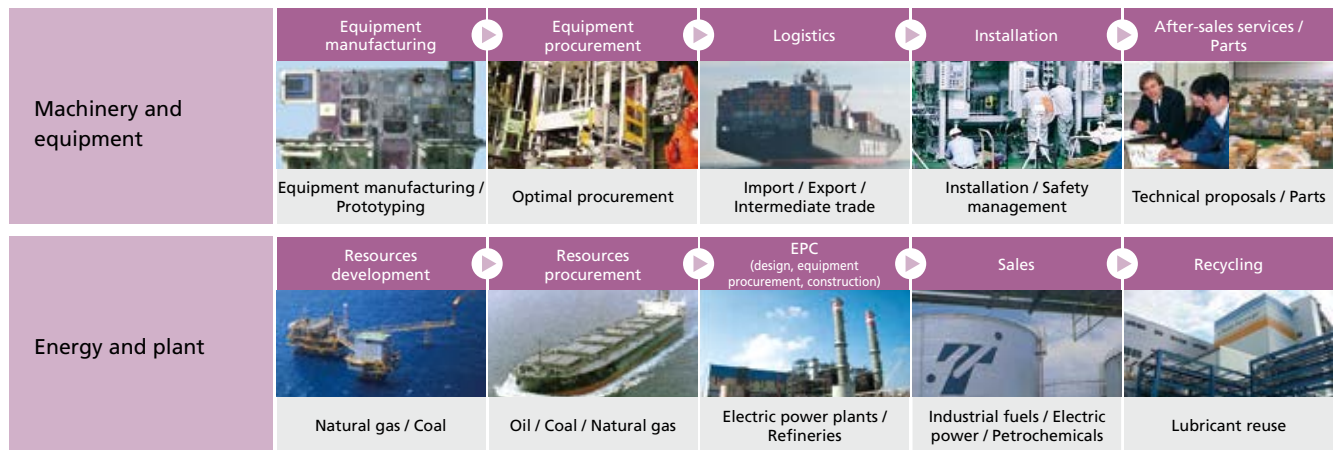


## Business Model of Our Core Business

### ► Equipment and a Value Chain Extending from Resources Development to Stable Supply

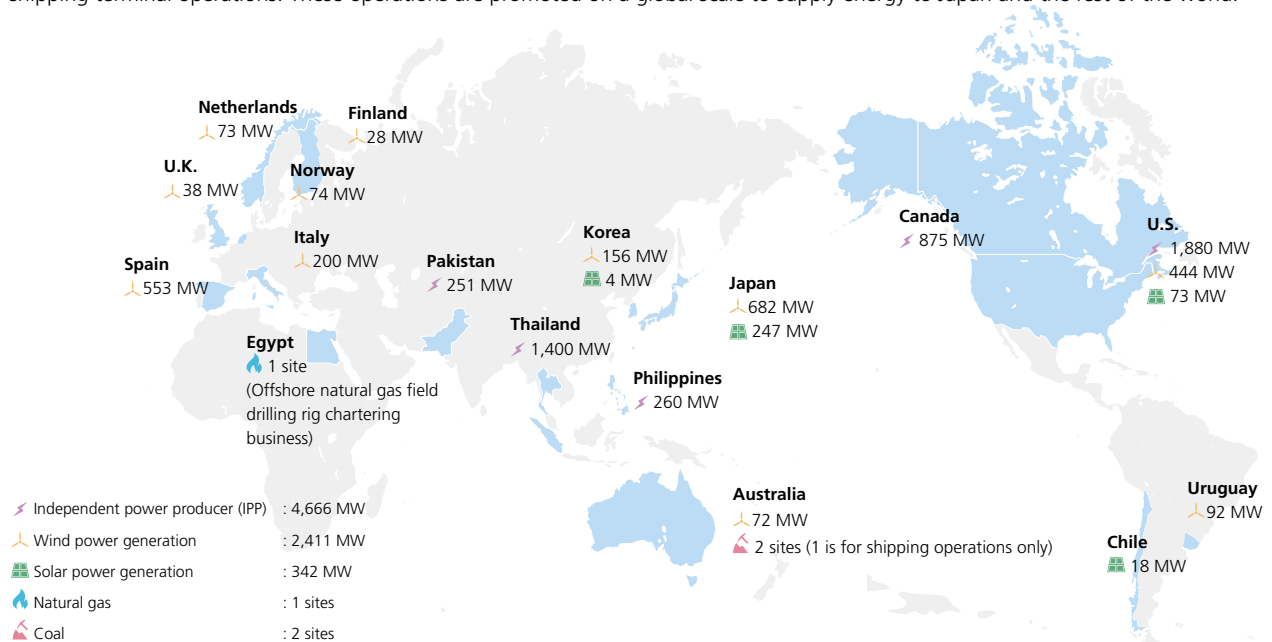
The Machinery, Energy & Project Division not only procures and sells various types of machinery and equipment but also provides comprehensive support services from planning, proposals, and technological development to quality control, efficient logistics, installation, and after-sales services. Each 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.



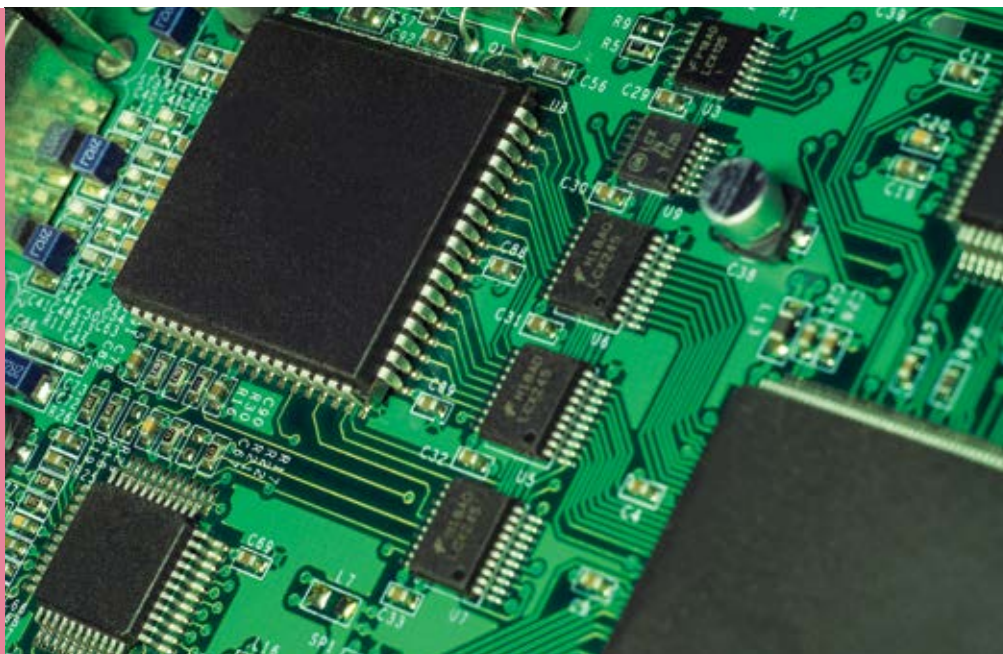
### ► Global Promotion of Power Generation Businesses, Natural Gas and Coal Resource Development and Production Projects, and Peripheral Businesses

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, chemicals and electronics demand is increasing and needs are diversifying, particularly in emerging countries. Meanwhile, the automotive industry is developing new technologies and materials to make vehicles electrified, more lightweight, and environmentally friendly, as well as accelerating innovation in autonomous driving and other next-generation mobility technologies.

### Risks and Opportunities

Amid risks such as global economic uncertainty, the Division engages in dialogue 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 services, as well as hardware.

### 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 rubber, as well as supplies materials and parts for use in applications such as vehicle batteries 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 used for consumer goods. We maintain strong sales capabilities and networks across Asia through which we continue to expand business. The Division is engaged in global production and sales of iodine, an important resource, and is strengthening value chains through activities such as the manufacture and sale of iodine compounds.

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.

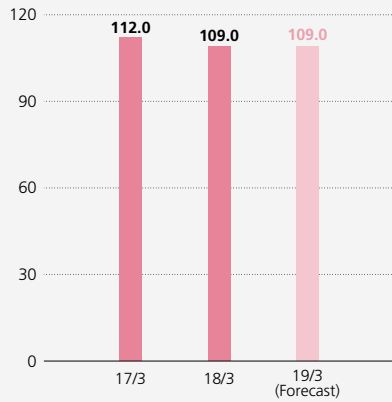
The Division promotes network business that globally links people and things, and is strengthening its businesses within as well as outside Japan by enhancing and combining the know-how and functions of leading affiliates in anticipation of information society changes and mobility society transformations in which data speeds and volumes continue to grow.





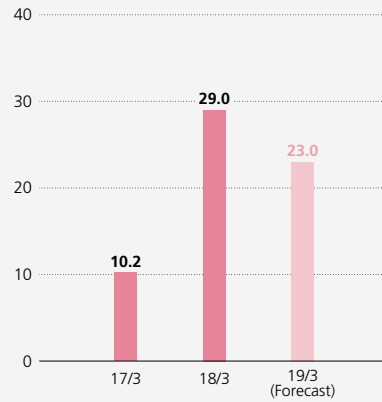
### Gross Profit

(Billion yen)



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

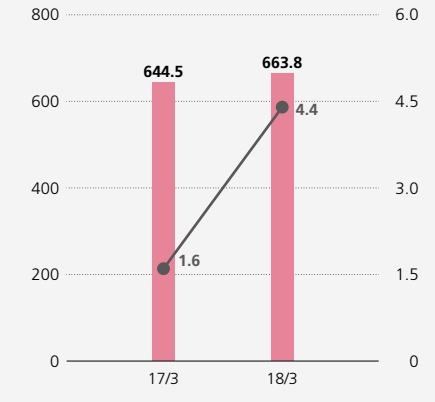
(Billion yen)



### Segment Assets / ROA\*

(Billion yen)

(%)



■ Segment assets ◆ ROA (right scale)

\* For the fiscal year ended March 31, 2017, total assets at the fiscal year-end are presented as the denominator for ROA as the total assets at the beginning of this fiscal year have not been calculated according to the current segment classification. In regard to ROA for the fiscal year ended March 31, 2018 and thereafter, 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.

### 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 diverse needs in industrialized and emerging countries. In this way, the Division leverages its collective strengths and generates synergies to promote business expansion.

In its automotive materials business, the Division is laterally extending the functions it has developed through its core business across new regions and markets as it strives to transform automotive technologies by proposing materials and parts for use in next-generation vehicles.

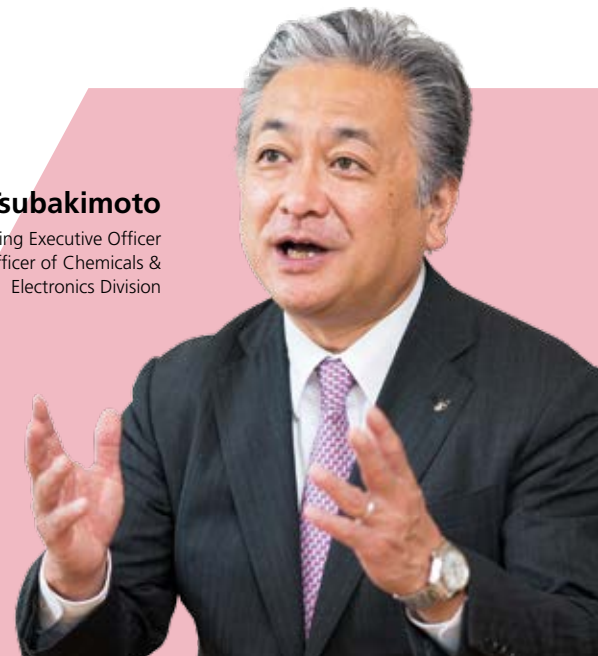
In its chemicals business, the Division uses its high share in global markets to become stronger and realize further expansion. In this way, it nurtures new businesses that can serve as earnings pillars for the future, while at the same time seizing opportunities presented by social and environmental change to establish new businesses.

In its electronics business, the Division anticipates changes in the automotive industry and in technologies. We also develop technologies for environmentally friendly vehicles such as hybrid vehicles, plug-in hybrid vehicles, and EVs, along with devices and services for more-intelligent and information-oriented connected vehicles. For the future autonomous driving society, we are developing advanced infrastructure in tandem with efforts to develop and commercialize new services.

**The Chemicals & Electronics Division keeps a watchful eye on every field, recognizing changes as business opportunities and boldly taking on new challenges. The Division provides customers with further value by creating new functions.**

### Mitsuhiro Tsubakimoto

Managing Executive Officer  
Chief Division Officer of Chemicals & Electronics Division



Initiatives for Achieving Our Vision



Stable Supply of Superabsorbent Polymer (SAP) in Asia

CSR Materiality

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

SDP Global Co., Ltd., in which Toyota Tsusho owns a 30% stake with the remaining 70% being held by Sanyo Chemical Industries, Ltd., has a disposable diaper-use SAP production capacity of 360,000 tons per year through its two manufacturing sites, in Japan and China. Through this it meets demand in Asia and throughout the world for disposable diaper-use SAP. A third manufacturing site, the Malaysian subsidiary SDP Global (Malaysia) Sdn. Bhd., is expected to begin operations in summer 2018, making SDP Global one of the world's leading SAP manufacturers. We will strive to provide a stable supply of SAP by leveraging our sales and logistics network and our material purchasing strengths, contributing to richer and more comfortable lives in Asia and throughout the world.



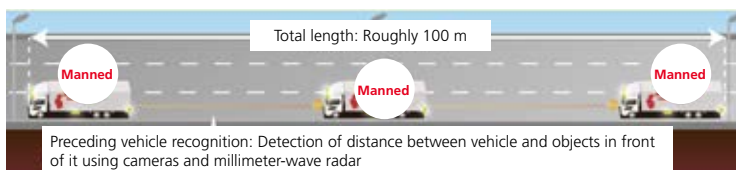
Initiatives for the Societal Implementation of Truck Platooning

CSR Materiality

Strive for the elimination of traffic casualties and contribute to the creation of a safe and comfortable mobility society

Toyota Tsusho has been contracted by the Ministry of Economy, Trade and Industry and the Ministry of Land, manufacture, transport and tourism for the Research and Development/Demonstration Project for Implementation of an Advanced Autonomous Driving System in Society: Demonstration Tests on Social Implementation of Truck Platooning, and we are carrying out research and development related to truck platooning.

As part of this project, in January 2018 we began the world's first trial of manned truck platooning. In addition to improving management efficiency by saving manpower and reducing CO<sub>2</sub> emissions, we aim to realize a safe, comfortable mobility society by addressing the shortage of drivers and enhancing safety.





## Business Model of Our Core Business

### ▶ Automotive Materials Business and Chemicals Business 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.

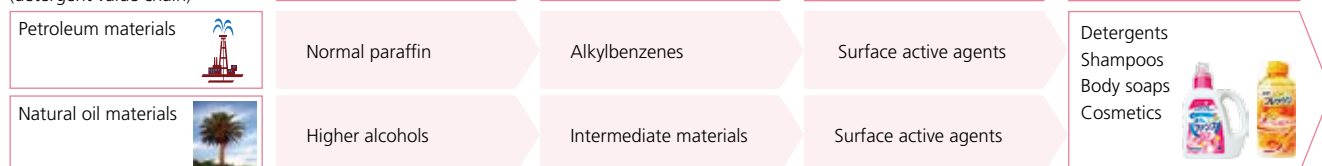
#### Automotive Materials Business

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



#### Chemicals Business

(detergent value chain)



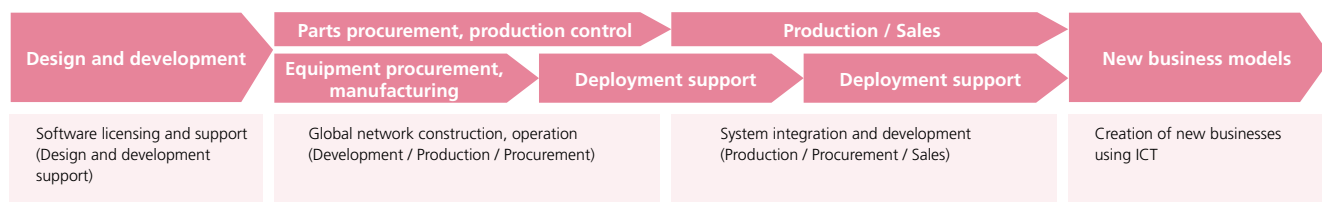
### ▶ Electronics Business Value Chain

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

Despite changes in the population and social structure of Japan, consumer needs continue to diversify. Outside Japan, consumer demand is increasing and quality of life is improving amid population growth and economic expansion, mainly in emerging countries.

### 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.

### 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 its food business, the Division owns processing centers in a wide range of fields within 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 its 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 its lifestyle business, the apparel operations act as a comprehensive supplier through strengths in functional materials and in 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 its healthcare business, the Division is also making efforts in nursing care, medical facility, and medical treatment-related services businesses.

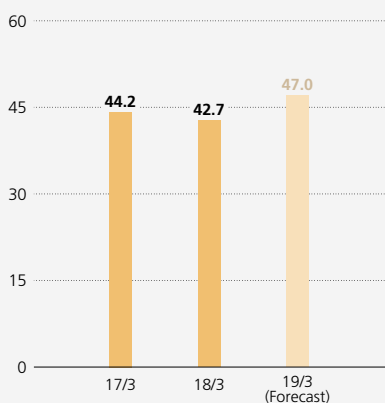
### Medium- to Long-term Initiatives and Priority Strategies

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



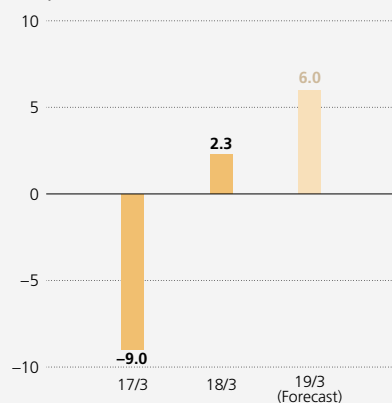
### Gross Profit

(Billion yen)



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

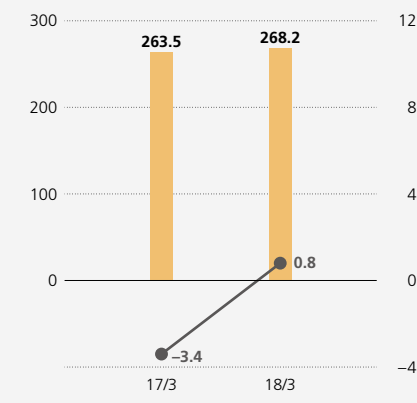
(Billion yen)



### Segment Assets / ROA\*

(Billion yen)

(%)



■ Segment assets ◆ ROA (right scale)

\* For the fiscal year ended March 31, 2017, total assets at the fiscal year-end are presented as the denominator for ROA as the total assets at the beginning of this fiscal year have not been calculated according to the current segment classification. In regard to ROA for the fiscal year ended March 31, 2018 and thereafter, 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.

emerging consumer countries 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 M&As of food processors and manufacturers within and outside Japan. Through this strategy, the Division is 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 within and outside Japan, while expanding the business domain through multifaceted medical insurance programs, mainly in emerging countries, 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 business, the Division provides infrastructure on a global basis to support consumer lifestyles and corporate business activity, with an emphasis on services within and outside Japan.

**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 Officer  
Chief Division Officer of Food & Consumer Services Division



Initiatives for Achieving Our Vision



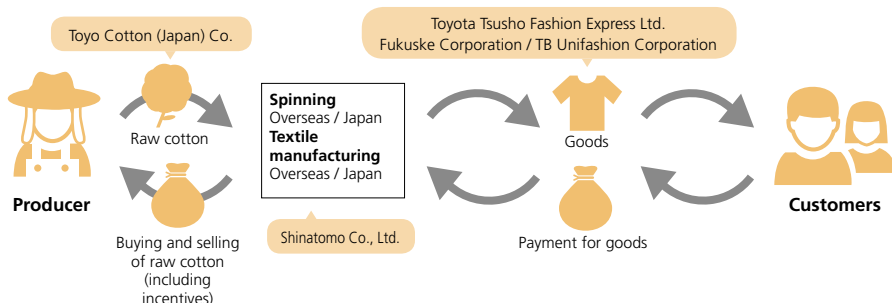
Toyota Tsusho Acquires International Fairtrade Certification for Cotton

CSR Materiality

Respect human rights, and actively develop people who will contribute to society by nurturing them and giving them opportunities to apply their skills

In January 2018, Toyota Tsusho and Toyota Tsusho Group member TB Unifashion Corporation, acquired International Fairtrade Certification for cotton from Fairtrade International. "Fairtrade" is a trade system that aims to improve the lives of producers and laborers in developing countries and help them become independent. Fairtrade has attracted attention for its contributions to the realization of United Nations Sustainable Development Goals (SDGs). With the acquisition of Fairtrade certification by Toyota Tsusho and TB Unifashion, the Toyota Tsusho Group now has a uniform supply system for every aspect of its upstream and downstream processes. The Group will work as one to further promote and expand this system.

The Toyota Tsusho Group's Fairtrade Cotton Business



Fairtrade International Fairtrade Certification Cotton Label



Toyota Tsusho First Foreign Company to Participate in Clinical Laboratory Business in Indonesia

CSR Materiality

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

Toyota Tsusho, together with Health Sciences Research Institute, Inc., and Southeast Asia's largest pharmaceutical manufacturer PT. Kalbe Farma Tbk, has established a joint venture subcontracted clinical laboratory service company, PT Innolab Sains Internasional. Operations at the joint venture's clinical laboratory began in January 2018. In Indonesia, there is growing demand for quantitative expansion and quality improvement of medical services, supported by the country's favorable economic growth. The laboratory will provide medical services based on Japanese know-how of early diagnosis and prevention of disease, which is of the highest standards in the world. Through this business, Toyota Tsusho aims to contribute to improvement of the standard of medical treatment in Indonesia and of the health of Indonesians by creating Southeast Asia's No.1 testing center in terms of both scale and technology.





## Business Model of Our Core Business

### ▶ 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 businesses
- Developing businesses that help solve social issues related to the agriculture and aquaculture businesses

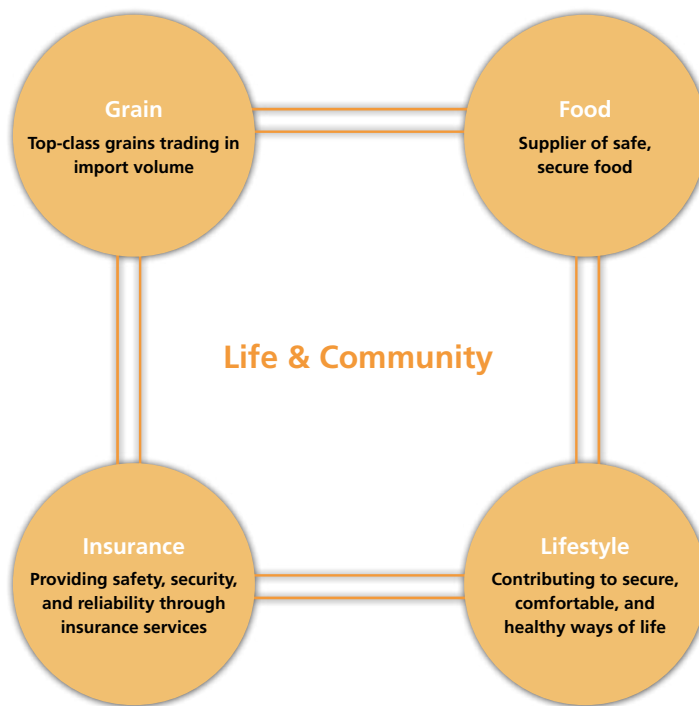
#### Insurance Business

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 countries 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



Photo credit: Thomas Renaut



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### Market Environment

The African market, which is the focus of the Division, is expected to experience sustainable growth starting in the fiscal year ending March 31, 2019, following what is thought will have been the bottoming out at the end of the fiscal year ended March 31, 2017, 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.

Going forwards, the number of global corporations entering the African market is expected to increase. Amid such a backdrop, Toyota Tsusho aims to grow together with local communities to establish the No. 1 presence in Africa.

### 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 the largest French trading company, CFAO; in December 2016, Toyota Tsusho made CFAO a wholly owned subsidiary, with the aim of accelerating its business initiatives in Africa. The Africa Division—the Company's first division dedicated to a single region—was subsequently established in April 2017.

The Africa Division is tasked with promoting a diversified business in 53 of 54 African nations by maximizing the talents of a professional workforce of some 15,500 employees.

The Automotive SBU is expanding and strengthening its automotive value chain, which currently boasts a sales and after-sales service network in all Sub-Saharan countries, automobile and motorcycle CKD production in Nigeria and the Republic of Kenya, and automotive production support and local parts production in South Africa.

The Healthcare and Chemical SBU supports human health via a pharmaceutical production and wholesaling business centered on northwest Africa, and via diagnostic and medical care centers in Nigeria and Ghana.

The Consumer Goods and Services SBU operates a shopping center in partnership with Carrefour and a joint-venture brewery with HEINEKEN, and is thereby actively catering to the needs of an emerging middle class. As well, we are promoting fertilizer production and sales in the Republic of Kenya.

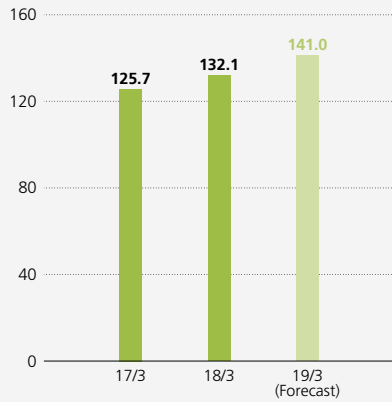
In the Technologies and New Business SBU, the Division is contributing to African growth through the development of critical energy infrastructure which is essential for economic





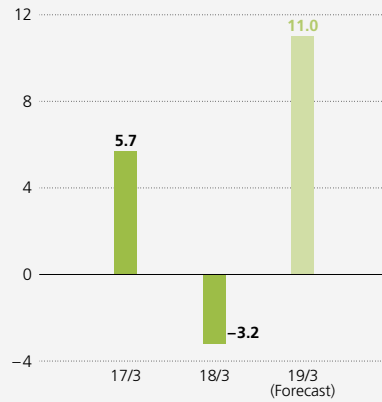
### Gross Profit

(Billion yen)



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

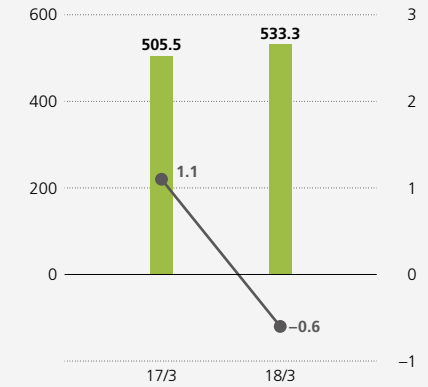
(Billion yen)



### Segment Assets / ROA\*

(Billion yen)

(%)



■ Segment assets ◆ ROA (right scale)

\* For the fiscal year ended March 31, 2017, total assets at the fiscal year-end are presented as the denominator for ROA as the total assets at the beginning of this fiscal year have not been calculated according to the current segment classification. In regard to ROA for the fiscal year ended March 31, 2018 and thereafter, 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.

development. The SBU has already completed work on a geothermal power plant in the Republic of Kenya, while in 2017 it entered into a contract to supply cranes to the Port of Mombasa.

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

The Africa Division is pursuing the four initiatives outlined below:

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 Chemical; Consumer Goods and Services; and Technologies 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.

**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."**

#### Richard Bielle

Senior Managing Executive Officer  
Chief Division Officer of Africa Division



Africa Division

Initiatives for Achieving Our Vision



Toyota Tsusho Receives Order for Port Cargo Handling Cranes for the Mombasa Port

CSR Materiality

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

In collaboration with Mitsui E&S Machinery Co., Ltd., Toyota Tsusho has signed a contract with the Kenya Ports Authority to supply 16 port cargo handling cranes for the Mombasa Port, which is the largest trading port in East Africa. This project forms part of the Japanese government's promotion of "The export of high-quality infrastructure" and, as such, is being funded by yen loans from the Japan International Cooperation Agency. Final delivery of the cranes is scheduled for around 2020.

The Republic of Kenya's only international trading port, the Mombasa Port is also the largest commercial port in the East Africa region, and functions as an entrance to the Northern Corridor, serving as a gateway to Uganda, Rwanda, and other East Africa nations. Through this project, the Company seeks both to respond to increasing demand for cargo handled by the port, and to improve cargo handling efficiency. In so doing, Toyota Tsusho aims to contribute to the stimulation of logistics and to the economic and societal development of the entire region, including the Republic of Kenya.



Entering the Moroccan Pharmaceutical Products Market In Collaboration with Sanofi

CSR Materiality

Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations

Eurapharma, a CFAO Group subsidiary specializing in the healthcare business, has entered into a strategic partnership with Sanofi, France's largest pharmaceutical company, to enter the Moroccan market. According to the agreement, Eurapharma acquired a 51% stake in Maphar, a Sanofi subsidiary that engages in the contract manufacture and wholesale of pharmaceutical products in Morocco.

The collaboration provides Eurapharma with opportunities to expand production and, at the same time, guarantees an entry route into the Moroccan market for distribution of its products.

Eurapharma handles products from 450 pharmaceutical companies, and has established a robust position as a pharmaceutical products distributor in the Africa region; Maphar will benefit from increased trade by utilizing Eurapharma's networks.



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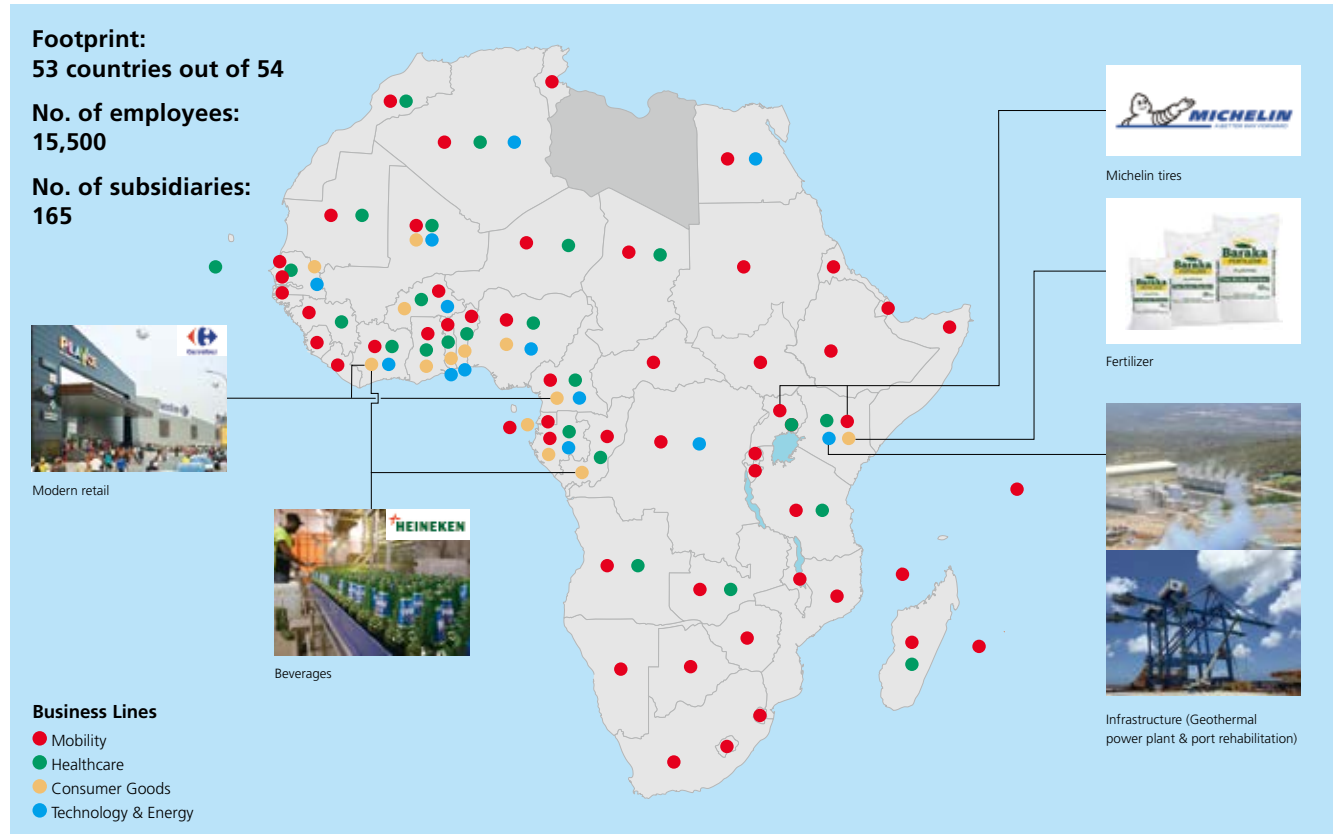




## Business Model of Our Core Business

### ► 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, and develops its businesses 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.

**Business Creation**

Memorandum of understanding with the Republic of Kenya renewed (August 2016)

**Human Resources Development**

Toyota Kenya Academy

**Social Contributions**

Social venture development fund for Africa

# Management Structure

## Board of Directors \* Representative Director



Chairman of the Board\*  
**Jun Karube**



Member of the Board  
President & CEO\*  
**Ichiro Kashitani**



Member of the Board  
**Kuniaki Yamagiwa**



Member of the Board  
**Soichiro Matsudaira**



Member of the Board  
**Yuichi Oi**



Member of the Board  
**Yasuhiro Nagai**



Member of the Board  
**Hiroshi Tominaga**



Member of the Board  
**Hideyuki Iwamoto**

## Executive Officers

### President & CEO

**Ichiro Kashitani**  
Chief Executive Officer (CEO)

### Executive Vice Presidents

**Kuniaki Yamagiwa**  
Assistant to President;  
Officer Responsible for Tokyo Head Office;  
Responsible for Special Tasks Assigned by  
President;  
Chief Officer Responsible for Global Strategy  
and Management;  
Chief Regional Officer for Europe;  
Chief Regional Officer for Emerging Regions

**Soichiro Matsudaira**  
Assistant to President;  
Chief Officer Responsible for Tokyo Head Office;  
Officer Responsible for Japan Regional Strategy  
& Coordination;  
Officer Responsible for Global Strategy and  
Management;  
Chief Technology Officer (CTO)

**Yuichi Oi**  
Assistant to President;  
Chief Officer Responsible for Japan Regional  
Strategy & Coordination;  
Officer Responsible for Global Strategy and  
Management

### Senior Managing Executive Officers

**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

**Richard Bielle**  
Chief Division Officer of Africa Division;  
Chief Regional Officer for Africa;  
Chairman of the Board of Directors of CFAO

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

### Managing Executive Officers

**Shizuka Hayashi**  
Deputy Chief Division Officer of Metals Division

**Takeshi Matsushita**  
Deputy Chief Division Officer of Food &  
Consumer Services Division

**Kiyoyoshi Oba**  
President of Toyota Tsusho (Thailand) Co., Ltd.

**Yoshihiro Inoue**  
Division Officer of Machinery, Energy & Project  
Division

**Mitsuhiro Tsubakimoto**  
Chief Division Officer of Chemicals & Electronics  
Division

**Jun Eyama**  
Chief Division Officer of Global Parts & Logistics  
Division

**Yasuhiro Nagai**  
Chief Compliance Officer (CCO);  
Chief Administrative Officer (CAO);  
General Manager of Safety and Global  
Environmental Promotion Department

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

**Hideyuki Iwamoto**  
Chief Financial Officer (CFO)

**Masato Yamanami**  
Chief Division Officer of Automotive Division  
Assistant to Chief Division Officer of  
Africa Division

**Toshio Araki**  
Division Officer of Metals Division



Member of the Board  
**Yoriko Kawaguchi**



Member of the Board  
**Kumi Fujisawa**



Member of the Board  
**Kunihiro Koumoto**



Member of the Board  
**Didier Leroy**

## Audit & Supervisory Board Members



Audit & Supervisory Board  
Member (full-time)  
**Yasushi Shiozaki**



Audit & Supervisory Board  
Member (full-time)  
**Kazuo Yuhara**



Audit & Supervisory Board  
Member  
**Shuhei Toyoda**



Audit & Supervisory Board  
Member  
**Kazunori Tajima**



Audit & Supervisory Board  
Member  
**Yuichiro Kuwano**

## Executive Officers

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

**Masanori Kondo**  
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 & CEO of Nova Agri

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

**Naoyuki Hata**  
Division Officer of Metals Division

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

**Atsushi Aoki**  
Division Officer of Chemicals & Electronics  
Division;  
President of NEXTEY 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;  
General Manager of Chemicals Strategy &  
Management Department

**Yasuhiro Kakihara**  
Division Officer of Chemicals & Electronics  
Division

**Hiroki Nakayama**  
Division Officer of Global Parts & Logistics  
Division

**Hiroshi Yonenaga**  
Division Officer of Global Parts & Logistics  
Division

**Shiro Irikawa**  
Division Officer of Automotive Division

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

**Mamoru Akiyama**  
Officer Responsible for Public Affairs;  
Officer Responsible for Global Strategy and  
Management;  
General Manager of Public Affairs Department

**Tetsuya Ezumi**  
Division Officer of Automotive Division

**Yuichi Kanazawa**  
President of Toyota Tsusho India Pvt. Ltd.;  
General Manager of Colombo Office

**Michael Lavender**  
Senior Vice President of Toyota Tsusho America,  
Inc.

**Kosuke Kunihiro**  
Division Officer of Machinery, Energy & Project  
Division;  
General Manager of Toyota Branch

**Shigeru Harada**  
Division Officer of Automotive Division

**Akio Hamada**  
President of Toyota Tsusho (Shanghai) Co., Ltd.;  
Chief Officer of East Asia NEXT Mobility  
Development Project

**Koji Minami**  
Division Officer of Africa Division

Note: Company names and titles are as of June 21, 2018.

# Corporate Governance

**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 it 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.

## Corporate Governance Structure

Toyota Tsusho has adopted the system of a company with a board of auditors 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.

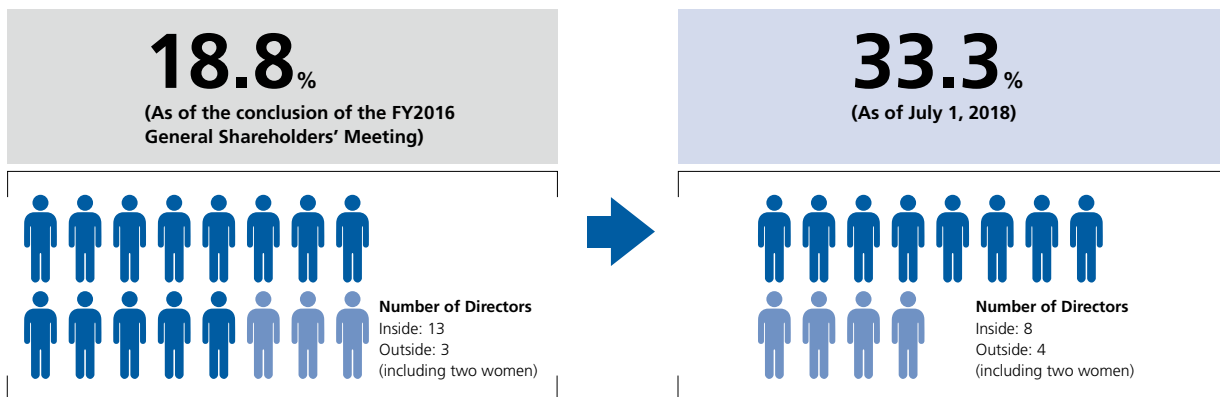
To further separate management from operations, in April 2017 executive officers who also serve as directors were limited to officers with Companywide management responsibilities, and the soundness of management and functioning and quality of the Board of Directors were enhanced by setting the Board’s roles as making decisions on top-priority management issues and monitoring the execution of business. Executive officers are appointed as the chief division officers of each sales division, enabling fast-paced management that is in close contact with frontline operations.

At the June 2018 General Shareholders’ Meeting, one additional outside director was elected, bringing the total to four. The outside directors are persons with highly specialized knowledge, including a foreign national and an individual from a research organization, further raising the degree of diversity.

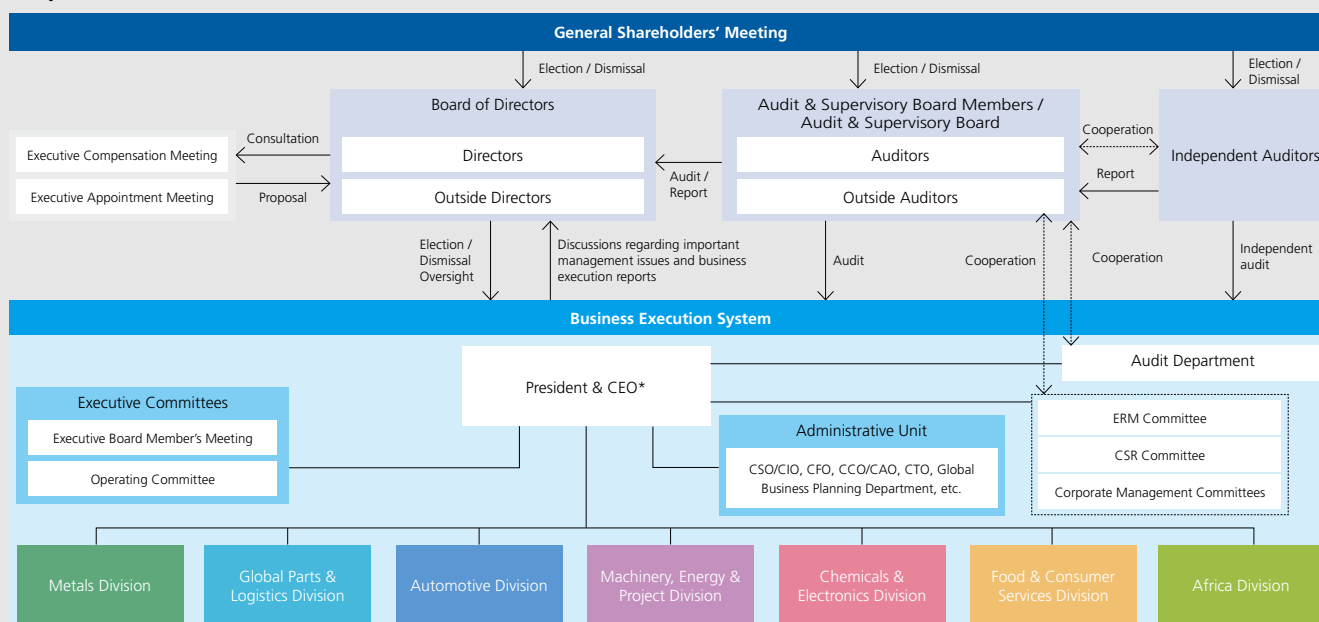
In April 2017, governance functions, which had all been the responsibility of the chief division officer of the Administrative Division, were distributed and CTO, CSO/CIO, CFO, and CCO/CAO positions were established as the persons with ultimate responsibility for their respective functions to facilitate the exercise of high levels of specialization and to reinforce governance functions. By clarifying duties and responsibilities, specialization was reinforced and the pace of decision-making was increased.

- \* Chief Technology Officer
- Chief Strategy Officer
- Chief Information Officer
- Chief Financial Officer
- Chief Compliance Officer
- Chief Administrative Officer

### Percentage of Outside Directors



## Corporate Governance Structure (As of April 2018)



\* Chief Executive Officer

## Board of Directors

The Board of Directors comprises 12 directors, four 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 of the four 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 provides—or, when necessary, the sales divisions themselves provide—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 Company administers questionnaires to all Board of Directors' members, including outside directors and auditors, and the Board of Directors' Secretariat analyzes and evaluates such and reports the results to the Board of Directors.

#### Overview of Evaluation Implementation

<Evaluatees>

All Board of Directors' members (12 people) and auditors (5 people)

<Evaluation items>

- Board of Directors' composition, operation, agenda, and deliberation processes, etc.

<Evaluation results>

- Tabulation of questionnaire answers found that the evaluations of each assessment item were generally positive, and the effectiveness of the Board of Directors was confirmed.
- The evaluation confirmed that over the past year there has been progress

toward the following manifest issues identified in last year's evaluation:

"Each sales division's policies and initiatives, which are based on the Mid-term Business Plan, should be reported to the Board of Directors," and "The functions of the Board of Directors should be enhanced by reviewing agenda items." Measures continue to be taken to achieve improvements in these areas.

- The Company will seek to further improve the effectiveness of the Board of Directors by engaging in the following identified issues:
  1. Board of Directors' members should be selected with a focus on diversity, while taking into consideration the appropriate personnel composition of the Board.
  2. Agenda items and themes should be defined for Board of Directors' reporting items to produce constructive discussion and exchange of opinions between Board of Directors' members.

## 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, 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.

## Corporate Governance

### 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 Members' Meeting

The Executive Board Members' Meeting comprises the chairman of the Board, President & CEO, executive vice presidents, CSO/CIO, CFO, and CCO/CAO. The meeting takes place, 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 executive officers. In principle, the committee meets monthly on the day after the Board of Directors' 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 / Quantitative Discussion                     | Discusses management plans  | Once a year                        |
| Investment Strategy Meeting                                  | Discusses each sales division's investment strategies   | Once a month                       |
| Investment and Loan Committee<br>Investment and Loan Meeting | Discusses investment and lending projects   | 3 times a month<br>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 24. 

#### 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 who have the capabilities to become future managers and discusses measures to strengthen human resources development | Once a year          |
| Global Strategy Conference                           | Plans and promotes strategies for key overseas markets, as well as for emerging nations   | Once a year          |
| Global Management Meeting                            | Discusses issues related to overseas regional management  | Twice a year         |
| Human Resources Enhancement Committee                | Discusses various themes related to human resource development to reinforce human resources   | Once a month         |
| IT Strategy Committee                                | Discusses Companywide policies on IT strategies   | Twice a year         |
| Safety Management Improvement Committee              | Discusses measures for enhancing safety management  | Once a month         |
| Specified Import & Export Control Committee          | Decides on overall direction regarding transaction management, export, and import of articles subject to import / export controls   | Once a year          |
| Conference on the Global Environment                 | Promotion of environmental management   | Once a year          |
| Occupational Safety and Health Promotion Committee   | Promotes improvements to occupational safety and health activities throughout the Company and domestic Group companies  | Once a year          |
| Cost Reduction and <i>kaizen</i> Promotion Committee | Promotes reductions in costs, and shares and develops improvement case studies throughout the Company   | Twice a year         |



## 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 contributing 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<br>(As of July 1, 2018)  | Reason for selection  | Frequency of attendance<br>at Board of Directors'<br>meetings |
|-------------------|---|---|---|
| Yoriko Kawaguchi  | —   | Ms. Kawaguchi has work experience in several important government offices, such as the Ministry of the Environment and Ministry of Foreign Affairs, and corporate management experience as managing director of Suntory Holdings Ltd. Ms. Kawaguchi was selected to continue to serve as an outside director due to the neutral, objective perspective to advice regarding the Company's management and oversight over business execution she is providing based on her wealth of specialized insight regarding environmental issues and international political and economic trends.   | 11 / 13   |
| Kumi Fujisawa     | Director, The Shizuoka Bank, Ltd.<br>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, and she has held numerous government-related positions in organizations such as the Ministry of Economy, Trade and Industry and the Financial Services Agency. Ms. Fujisawa was selected to continue to serve as an outside director due to the neutral, objective perspective to advice regarding the Company's management and oversight over business execution she is providing based on her wealth of experience and specialized insight regarding investment, international finance, and diversity. | 13 / 13   |
| Kunihito Koumoto  | —   | Mr. Koumoto is a noted researcher. He served as a professor at the Nagoya University Graduate School of Engineering before becoming a Toyoda Physical and Chemical Research Institute fellow. He was selected for his ability to provide advice regarding company management from an advanced academic perspective to handle the high-level technical innovations the Company will implement in the future.   | —   |
| Didier Leroy      | Executive vice president and member<br>of the Board of Directors, Toyota<br>Motor Corporation | Mr. Leroy has served as CEO of the Europe Region and president of Business Unit Toyota No. 1 of Toyota Motor Corporation. Since April 2017, he has been an executive vice president and operating officer, as well as president of Business Planning & Operation. Mr. Leroy was selected to serve as an outside director due to the neutral, objective perspective to advice regarding the Company's management and oversight over business execution he can provide based on his wealth of management experience and global, specialized insight regarding the automotive industry, which is in a period of major transformation.  | —   |

Every month, after the Board of Directors' 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.

| Outside Audit &<br>Supervisory Board<br>members | Reason for selection  | Frequency of attendance<br>at Board of Directors'<br>meetings | Frequency of attendance<br>at Audit & Supervisory<br>Board meetings |
|---|---|---|---|
| Shuhei Toyoda                                   | Mr. Toyoda has served as a director of Toyota Motor Corporation and president of Toyota Boshoku Corporation. Since June 2015, he has been the chairman of Toyota Boshoku Corporation. He was selected as an outside director due to his many years of involvement in company management, and the wealth of management experience and specialized insight he possesses, which will enable him to provide appropriate oversight over the Board's performance of its duties. | —   | —   |
| Kazunori Tajima                                 | Due to his long career as a certified public accountant, Mr. Tajima possesses a wealth of experience and expertise regarding corporate accounting and corporate auditing. He has been selected to provide an independent, neutral perspective to appropriate oversight over the Board's performance of its duties.  | 13 / 13   | 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 for providing a neutral, objective perspective to appropriate oversight and control over the Board's performance of its duties.  | 13 / 13   | 14 / 14   |

## Corporate Governance

## 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 Shareholders' Meeting, 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 Shareholders' Meeting, 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)   | 805   | 439  | —             | 366     | 16                            |
| Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) | 82  | 82   | —             | —       | 2                             |
| Outside Audit & Supervisory Board members   | 83  | 83   | —             | —       | 6                             |

\*1 Included above are seven directors who retired at the 96th General Shareholders' Meeting, which was held on June 23, 2017.

\*2 At the 96th General Shareholders' Meeting, 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.

\*3 At the 93rd General Shareholders' Meeting, 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

**Kunihito Koumoto**

Outside Director

I have been involved in research and education in university and research site settings for roughly four decades. I continue to provide research guidance for an overseas university, and I am promoting research and engaging in personnel development with the aim of achieving a solar energy-powered society. I will dedicate myself to helping the Toyota Tsusho Group continue to make progress in creating the ideal society of the future by providing whatever support I can from an academic perspective.

**Career profile**

March 1979 Received a Ph.D. in industrial chemistry from the University of Tokyo Graduate School of Engineering  
Doctorate of Engineering (University of Tokyo)

September 1986 Associate professor, Faculty of Engineering, University of Tokyo

April 1992 Professor, School of Engineering, Nagoya University

April 1997 Professor, Graduate School of Engineering, Nagoya University

April 2002 Professor, Faculty of Engineering and Resource Science, Akita University

April 2011 Director, Research Center for Materials Backcasting Technology, Nagoya University

April 2015 Fellow, Toyota Physical and Chemical Research Institute

**Didier Leroy**

Outside Director

**Career profile**

April 1982 Joined Renault S.A.

September 1998 Vice president, Toyota Motor Manufacturing France S.A.S.

January 2005 President, Toyota Motor Manufacturing France S.A.S.

June 2007 Managing officer, Toyota Motor Corporation

July 2007 Executive vice president, Toyota Motor Europe NV/SA

July 2009 Chairman, Toyota Motor Manufacturing France S.A.S.

June 2010 President, Toyota Motor Europe NV/SA

April 2011 President and CEO, Toyota Motor Europe NV/SA

April 2012 Senior managing officer, Toyota Motor Corporation

April 2015 Chairman, Toyota Motor Europe NV/SA (current)

June 2015 Executive vice president, Toyota Motor Corporation

April 2017 Member of the Board of Directors and executive vice president, Toyota Motor Corporation (current)

Toyota Tsusho Corporation is a strong company with a long and venerable history. The company is an important business partner for numerous companies throughout the world. As such, it is a great honor for me to be appointed a member of the company's Board of Directors. I am fully aware of the important role and responsibilities of an outside director, and I will work diligently to fulfill my role and to contribute to the company's performance now and into the future.

My expertise mainly lies in the automotive business and industry, but I also have a strong interest in other activities within Toyota Tsusho's large scope of business.

On a global level, society is facing huge structural transformations that will create risks and challenges but also big opportunities. I want to use my experience in business reform and human resources management gained in many regions throughout the world to help Toyota Tsusho improve its competitiveness and take full advantage of this chance to grow stronger.

A "customer first" organization, people development, skills management, and leaders' capabilities are always key pillars in preparing for the future. However, strong leadership is essential for making things happen today. I believe deeply that with ENERGY, PASSION, and a FIGHTING SPIRIT, NOTHING is impossible.

## 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. To achieve these goals, the Company continuously provides all information it deems essential and, at the same time, develops investor relations (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 to communicate with its shareholders and investors. In addition, to promote greater understanding of its business activities, the Company holds business briefings and facility tours as appropriate. (For the past two years, for example, the Company has held electronics business briefings and facility tours in the Tokai region.)

For overseas investors, Toyota Tsusho has visited Europe, Asia, and the Middle East and has continued to hold individual meetings since the fiscal year ended March 31, 2015.

The Company also frequently holds company briefings with individual investors and has participated in IR fairs held by securities exchanges. In the fiscal year ended March 31, 2018, the Company held a total of 21 briefings, primarily in the Tokyo, Osaka, and Nagoya metropolitan areas, which were attended by a total of approximately 2,000 investors. In addition, the Company has enhanced its website content to further understanding of Toyota Tsusho, and has improved its information disclosure to global stakeholders by expanding the scope of its English translations to include disclosure materials.

### General Shareholders' Meeting

Toyota Tsusho wishes to encourage as many shareholders as possible to attend its General Shareholders' Meeting 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.



Notice of Ordinary General Shareholders' Meeting

## 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.

Regarding 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 Directors' meetings, and monitor and supervise business execution and legal compliance.

## Corporate Governance

### 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.

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. Regarding risks faced by the Group as a whole, the Company works closely with each department and Group company to establish and strengthen its consolidated risk management system. Regarding 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, to conduct risk management activities in an appropriate manner, the Company has established supervisory departments for each type of risk. This facilitates the assessment and management of risk in an appropriate manner.

Moreover, the ERM Committee, which is chaired by an executive vice president, meets regularly to identify and assess Companywide risks, 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


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, to ensure management safety, the Company regularly scrutinizes the balance between total risk-asset value and risk buffer on a consolidated basis, and it reports the results to upper management.

| (Billion yen)    | 17/3 results | 18/3 results | Goals of the Mid-term Business Plan |
|------------------|--------------|--------------|-------------------------------------|
| Risk assets (RA) | 930          | 960          | –                                   |
| Risk buffer (RB) | 1,010        | 1,140        | –                                   |
| RA / RB          | 0.92         | 0.84         | Less than 1.00                      |

Risk assets have been less than the risk buffer since the fiscal year ended March 31, 2017. However, 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 and keeps this total beneath the upper value determined for each country.

#### Business Investment Risk Management

For information on Investment Cycle Operation, please see page 19. 

#### 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. Regarding 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, to minimize the risk of losses occurring.

#### 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. Education and training 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) Training for high-risk areas, 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 have developed a website through which we share information with 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.

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## Compliance

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

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.

The internal reporting system was expanded and extended from its former form, in which reporting was possible through internal reporting lines and external lawyers, by adding a dedicated external reporting window. This reporting window, created in November 2017, offers multilingual support (over 160 languages), and makes it easy for employees to report or consult on matters related to COCE infractions by providing global service with greater anonymity and confidentiality. All internal report information is reported to auditors to ensure independence from management.

For information on the COCE,  
please see page 4.



### 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 ethical conduct in the day-to-day work of its executives and employees.

In the fiscal year ended March 31, 2018, we held training for various levels of the organization, including new employees, managers, line 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 the Laws & Ordinances Handbook for Executives to executives and a compliance manual to employees so that the entire Company workforce is familiar with important laws.

### Corruption Prevention

In line with worldwide moves to enhance anti-corruption regulations, such as the Foreign Corrupt Practices Act (FCPA) of the United States and the Bribery Act 2010 of the United Kingdom, the Toyota Tsusho Group is striving to prevent bribery by assessing bribery risks, using the results of these assessments to formulate bribery prevention regulations, to implement measures (such as prior vetting of transactions involving governments, reporting hospitality and gifts provided to civil servants, prior vetting of invitations involving civil servants, etc.), and to raise awareness of these regulations and measures by holding briefings for all executives and employees.

### Tax Governance Policy

It is the fundamental policy of Toyota Tsusho and the Toyota Tsusho Group to comply with the tax laws and tax regulations of individual countries, under COCE, and to appropriately satisfy its global tax obligations.

We do not engage in transactions with the aim of tax avoidance, and we strive to comply with the laws, regulations, and tax conventions of individual countries, as well as international taxation rules, appropriately reporting and paying taxes. We build fair relationships with tax authorities in the regions in which we do business by appropriately disclosing information and engaging in constructive dialogue.

Led by our basic policy, we strive to eliminate double taxation and appropriately utilize tax incentives to achieve appropriate tax costs.

# Social



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

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 the management of 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.

### 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 develops a future career plan and discusses how to achieve this plan through operational assignments and the use of training programs.

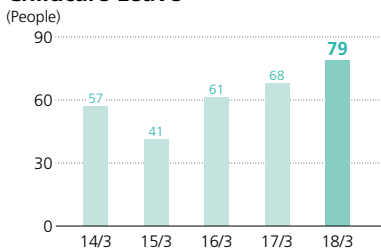
We also provide global training (GALP (Global Advanced Leadership Program) and LDP (Leadership Development Program)) to selected employees in Japan and overseas with the aim of developing future potential executives and globally optimizing the assignment of personnel.

## 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 have introduced a new of human resources system that seeks to provide a variety of growth and employment opportunities through measures such as integrating job categories, defining ranks, and reviewing and revising

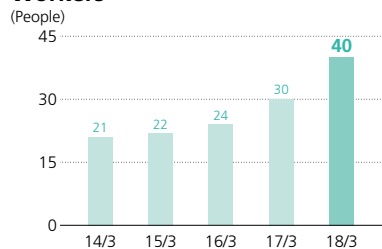
evaluation items. We are taking measures to create environments in which diverse personnel can work with enthusiasm through workstyle reforms, such as enhancing work and life by encouraging employees to take paid vacation time and male employees to take childcare leave, and introducing reforms, such as flextime work systems, morning work schedules, and telecommuting, to create a flexible and high-productivity organization. Furthermore, we are taking various intangible measures, such as fostering a corporate culture that accepts and uses diversity and raising individual employee awareness.

### Number of Employees Who Took Childcare Leave



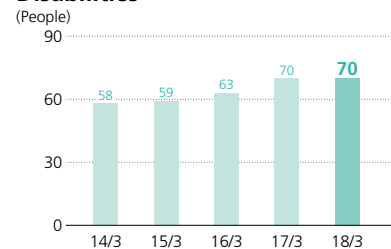
Scope of calculation: Toyota Tsusho Corporation

### 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

## Health and Productivity Management

Toyota Tsusho was recognized by the Ministry of Economy, Trade and Industry as one of the companies in the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500). Health and productivity management is the strategic management of health from a business perspective, based on the idea that measures aimed at maintaining and promoting the health of employees provides them with greater vitality and invigorates the organization, ultimately contributing to greater productivity for the companies that employ them. The Ministry of Economy, Trade and Industry created the White 500 program to certify health and productivity management, and began certifying companies in 2017. In October 2017,

top Toyota Tsusho management issued the Toyota Tsusho Group Health Declaration, announcing the Company's commitment to promoting health and productivity management both inside and outside the Company.

In the future, in addition to implementing a variety of health management initiatives, we will work within the Group to promote health and productivity management, creating workplaces in which personnel can work with enthusiasm.



### The Toyota Tsusho Group Health Declaration

We of the Toyota Tsusho Group recognize that the physical and mental health of our employees is our most important asset. Thus, we welcome and respect the diversity of our employees and declare that we will strive to achieve work environments that provide peace of mind and opportunities for active participation by all. We also declare that we will unwaveringly adhere to our corporate principles and strive to become a "value-generating corporation" entity by contributing to society through ever-better ways of doing business.

## Occupational Safety and Health Education

### 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 beliefs that safety and compliance are the cornerstones for all work and that safety management is a matter of human resources development, Toyota Tsusho conducts safety and health education not just for Toyota Tsusho Group employees but, upon request, also for the employees of suppliers.

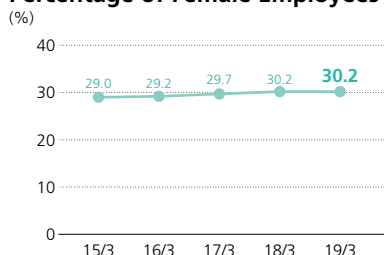
We conduct rank-based safety and health training for new employees, mid-level employees, managers, and executives and

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.

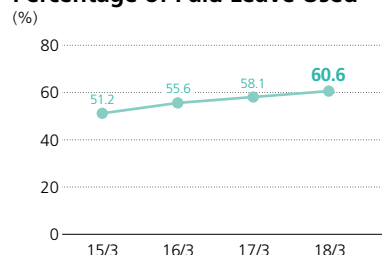
The workshop offers simulations of over 50 different types of hazards, including being squeezed between objects and dangers

### Percentage of Female Employees



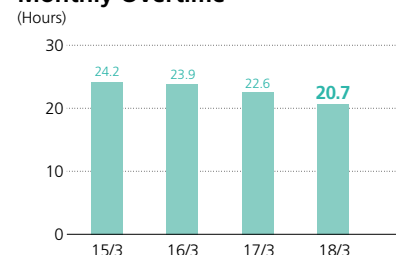
Scope of calculation: Toyota Tsusho Corporation  
For every year, as of April 1

### Percentage of Paid Leave Used



Scope of calculation: Toyota Tsusho Corporation

### Monthly Overtime



Scope of calculation: Toyota Tsusho Corporation

Social

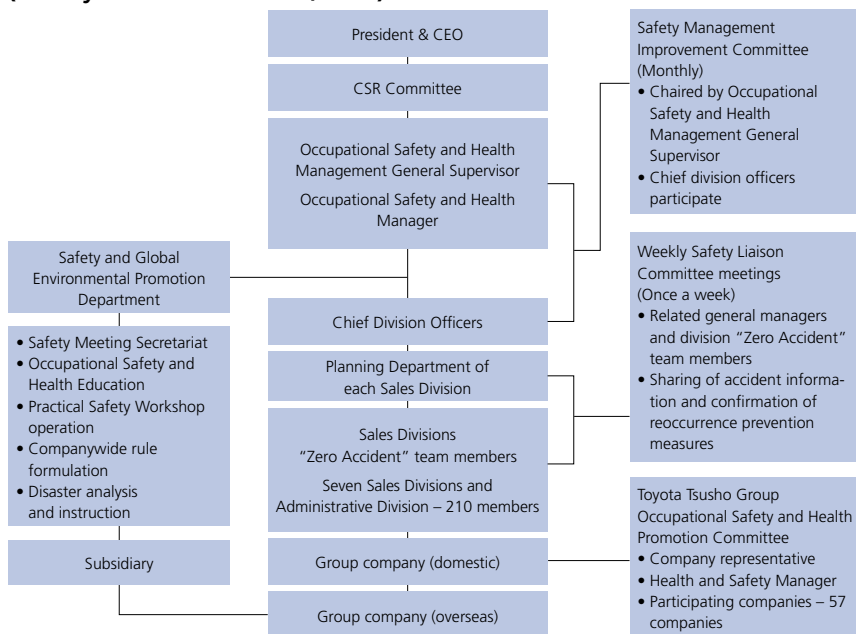
Involving heavy items. Workshop attendance is open to all Group employees as well as the personnel of suppliers who take part in Toyota Tsusho's Safety and Health Cooperation Council.

The workshop was attended by 529 participants in the fiscal year ended March 31, 2018.

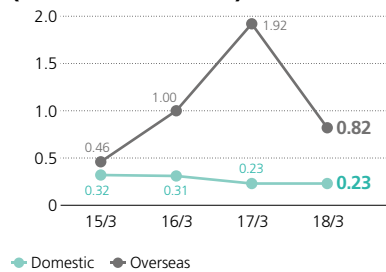
The workshop serves to raise employee awareness regarding

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 taking measures to raise awareness of safety with regard to office work. Over 500 Group employees have attended these workshops to date.

**Toyota Tsusho Group Safety Management System (Fiscal year ended March 31, 2018)**



**Lost Time Injury Rate (Domestic/Overseas)**



Lost time injury rate: This index shows the frequency of work-related accidents. The rate is calculated based on the number of work accident-related casualties per 1 million working hours. Average national lost time injury rate in the fiscal year ended March 31, 2018 (Japan): 1.66 (data published by the Ministry of Health, Labor and Welfare)

**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. As part of our supply chain management, we have implemented conflict mineral surveys annually since 2013.

In January 2018, we became the first Japanese company to receive International fair trade Certification in the cotton category. We are working to achieve greater penetration of CSR throughout our supply chain by expanding sales of products made with fair trade certified cotton.

**The 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.

For information on supply chain CSR, please see page 60.



# Environment



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

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 we 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.

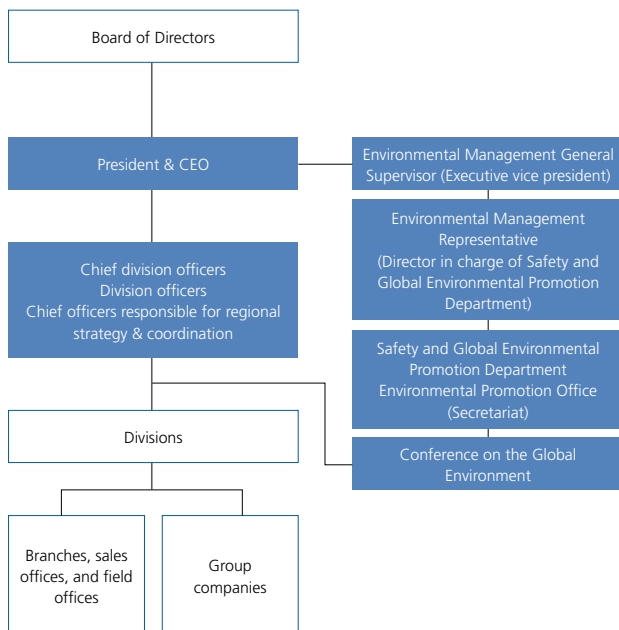
## Structure for Promoting Environmental Management

The Toyota Tsusho Group’s environmental management systems conform to the ISO14001 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

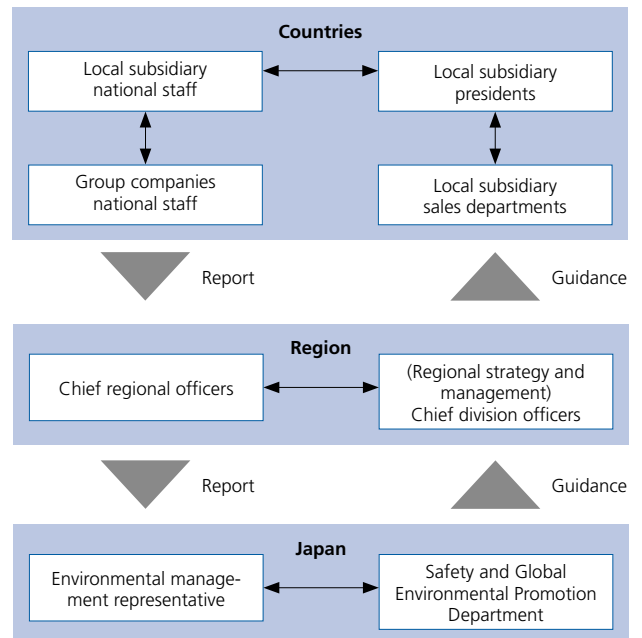
monthly, with attendance by corporate officers, to report on environmental incidents, share information on countermeasures, and take preventive measures.

In 2015, the Toyota Tsusho Group underwent ISO14001:2004 certification renewal screening, and its certification was renewed until September 14, 2018. In spring of 2018, it completed its transition to ISO14001:2015. We promote ISO certification acquisition by domestic and overseas business subsidiaries. 48 domestic subsidiaries and 134 overseas subsidiaries have acquired ISO14001 certification.

## Toyota Tsusho Group’s Environmental Management



## Construction of Environmental Management Systems Overseas



- Local subsidiary → Group company: Education and auditing
- Local subsidiary → Region → Japan: Audit result report
- Japan → Region → Country: Convey instructions

Environment

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 for priority issues on the status of such compliance.

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

Internal Audit and Third-Party Audit Results  
(For the fiscal year ended March 31, 2018)

|                   | Toyota Tsusho (TTC) | Group companies |
|-------------------|---------------------|-----------------|
| Internal audit    | 44 divisions        | 18 companies    |
| Third-party audit | 24 divisions        | 31 companies    |

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

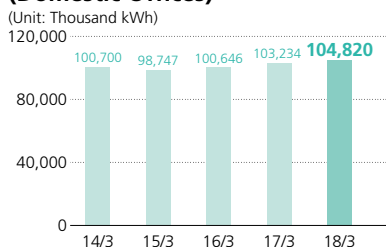
To protect the environment, the Toyota Tsusho Group places strong emphasis on ensuring the proper disposal of waste material and measures to prevent oil leaks from vehicles. The Group prepared and distributes a Waste Management Manual regarding proper waste disposal and strictly complies with the Waste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

Regarding 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.



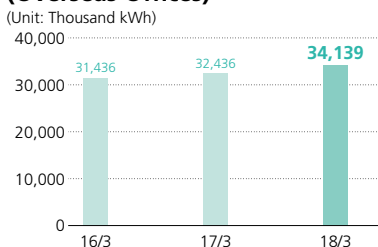
For additional information on pollutant emissions, please refer to the Environment Activities page of the CSR section on Toyota Tsusho's website.  
<https://www.toyota-tsusho.com/english/csr/activities/environment/env-activity.html>

Electricity Consumption  
(Domestic Offices)



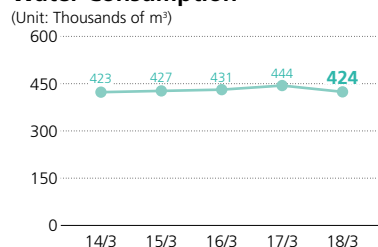
Tabulation scope: Toyota Tsusho Corporation and 48 domestic Group companies  
Conversion coefficient: Based on the Energy Conservation Law

Energy Consumption  
(Overseas Offices)



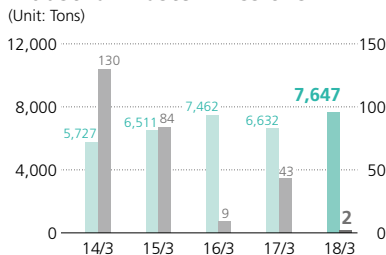
Tabulation scope: 35 overseas Group companies  
Conversion coefficient source: CO<sub>2</sub> Emissions from Fuel Combustion, 2007 edition, International Energy Agency (IEA), Paris, France 2001 conversion factor used

Water Consumption



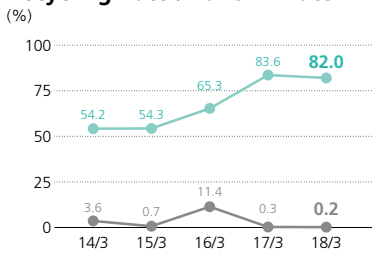
Tabulation scope: Toyota Tsusho Corporation and 39 domestic Group companies

Industrial Waste Emissions



Industrial waste  
Specially controlled industrial waste (right scale)  
Tabulation scope: Toyota Tsusho Corporation and 39 domestic Group companies

Recycling Rate / Landfill Rate



Recycling rate  
Landfill rate  
Tabulation scope: Toyota Tsusho Corporation and 39 domestic Group companies

Initiatives Aimed at Achieving Zero Emissions

We are working to achieve our ultimate target of eliminating landfill waste by reducing the amount of waste we generate and recycling the waste we produce. All the companies in the Toyota Tsusho Group are striving to achieve zero emissions.

## Advocacy of COOL CHOICE

Toyota Tsusho supports “COOL CHOICE,” an initiative of the Ministry of the Environment that seeks to reduce greenhouse gas emissions by 26% by the year ending March 31, 2031 from by the year ended March 31, 2014 levels by the adoption of energy-saving, low-carbon products and services, and low greenhouse gas production lifestyles.



## Environmental Business Initiatives

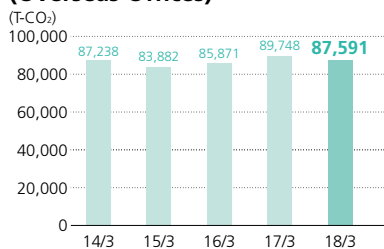
The Matsuyama Biomass Power Plant, a wood biomass power plant constructed by Ehime Forest Generation, LLC, established by Toyota Tsusho Group company Ene-Vision Co., Ltd., went into operation on January 4, 2018. The power plant, which covers roughly 30,000 square meters of land in Matsuyama City, Ehime Prefecture, is the prefecture’s first wood biomass power plant and uses renewable energy feed-in tariffs (FITs). It uses wood biomass alone for fuel, generating 12.5 MW of power, which is sold to power retailers. It is powered primarily by unused material from within Ehime Prefecture, contributing to a stable supply of locally produced, locally consumed power. Together with the Gotsu Biomass Power Plant operated by Shimane Forest Generation,

LLC, in Gotsu City, Shimane Prefecture, the two power plants have a combined total output of 25.4 MW.



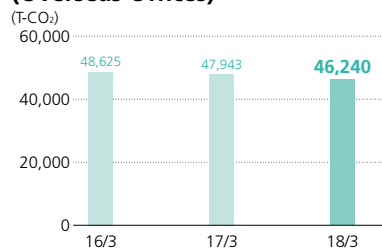
Ehime Prefecture's first biomass power plant

### Emissions of Greenhouse Gases (Overseas Offices)



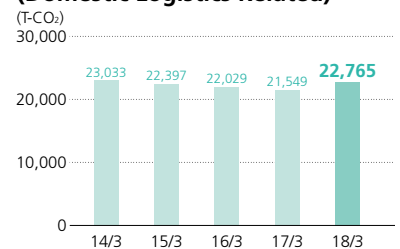
Tabulation scope: Toyota Tsusho Corporation and 48 domestic Group companies  
Conversion coefficient: Based on the Energy Conservation Law

### Emissions of Greenhouse Gases (Overseas Offices)



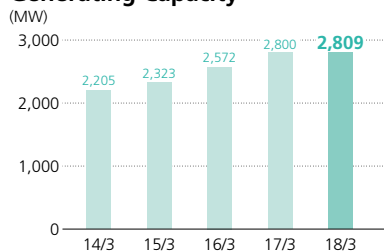
Tabulation scope: 35 overseas Group companies  
Conversion coefficient: IPCC 2006, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Prepared by the National Greenhouse Gas Inventories Programme, Eggleston H.S., Buendia L., Miwa K., Ngara T. and Tanabe K. (eds). Published: IGES, Japan

### Emissions of Greenhouse Gases (Domestic Logistics Related)



Tabulation scope: Toyota Tsusho Corporation and Toyota Steel Center Co., Ltd.  
Conversion coefficient: Based on Act on the Rational Use of Energy

### Renewable Energy Generating Capacity



Tabulation scope: Domestic and overseas

### Initiatives Aimed at Realizing a Low-carbon Society

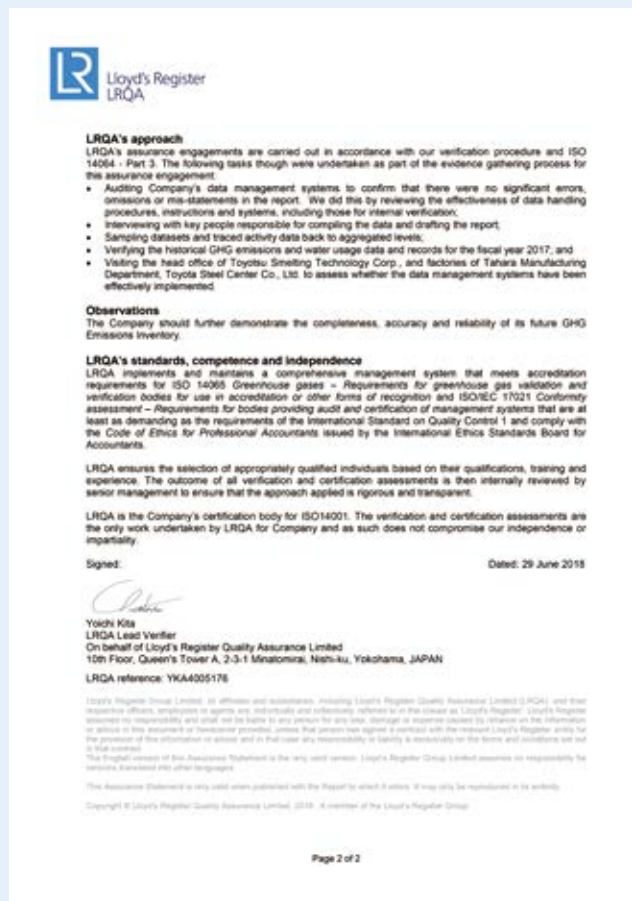
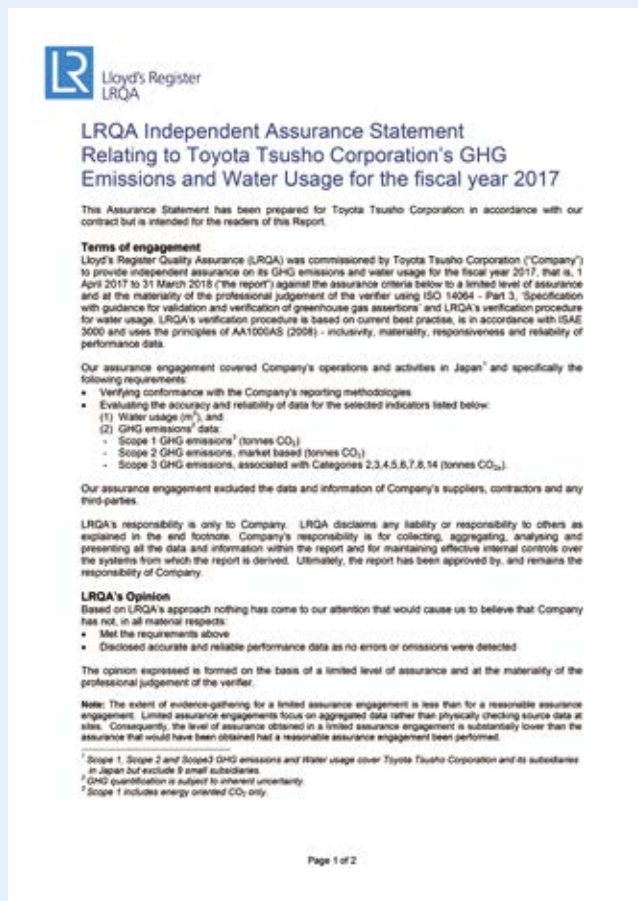
The Energy-saving Promotion Council met to manage Toyota Tsusho’s CO<sub>2</sub> emissions reduction plans and results, implement energy-saving audits, and check the operating conditions of energy-using equipment.

The Cost Reduction and *kaizen* Promotion Committee considers transport route optimization, shipment aggregation, container loading efficiency improvements, and the like, and works with transport companies to strive to reduce indirect CO<sub>2</sub> emissions produced by cargo transport.

We also work to transition to a low-carbon society and cut greenhouse gas emissions through our power generation business, which uses renewable energy such as wind power, solar power, and biomass.

### 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 usage amounts for the fiscal year ended March 31, 2018.



#### Items Subject to Verification

- Water usage volume (Page 80)
- Greenhouse gas (GHG) emissions volume (Page 81)



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

#### Inclusion in SRI Indices

As of July 2018, 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.



##### Morningstar Socially Responsible Investment Index (MS-SRI)

The first socially responsible investment index in Japan, MS-SRI consists of 150 leading Japanese companies that have been evaluated and selected by Morningstar Japan K.K. among enterprises listed on domestic stock exchanges.

# 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.  
<https://www.toyota-tsusho.com/english/csr/activities/social-contribution/>

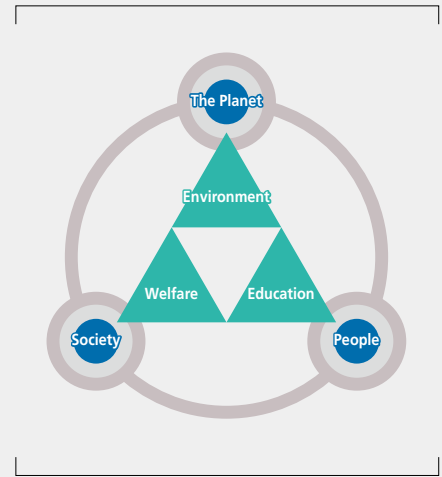
## Basic Policy for Social Contribution Activities

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 prosperous societies.

## Promotion of Activities

Toyota Tsusho positions people (education), society (welfare), and the planet (environment) 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 prosperous societies 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. In the fiscal year ended March 31, 2018, approximately 150 employee volunteers took part in activities such as planting, harvesting, and trimming rice seedlings. Planting 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).



Kamikawa no Sato's Special Green Zone Restoration Project

### Welfare

Toyota Tsusho conducts various 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.



Support for the Tokai Wheelchair Twin Basketball Kariya Tournament

### 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, 2018, financial support was provided to 29 foreign students from 14 countries, mainly in Asia, Africa, Europe, and the United States.



Toyota Tsusho Corporation Study Abroad Scholarship system

### Recovery Support Following the 2011 Great East Japan Earthquake

Toyota Tsusho conducts activities tailored to needs in disaster-stricken areas including employee participation in Toyota Group disaster area recovery support volunteer activities and regularly holds in-house markets offering food products and processed foods from disaster-stricken areas. We also carried out a lunchtime program within the Company to provide learning puzzles to children living in disaster-stricken areas. In the fiscal year ended March 31, 2018, approximately 90 employees participated in volunteer activities and three boxes of puzzles filled by employees were sent to nursery schools and kindergartens in Fukushima Prefecture and Miyagi Prefecture. Toyota Tsusho will continue to provide support to disaster-stricken areas in the future.

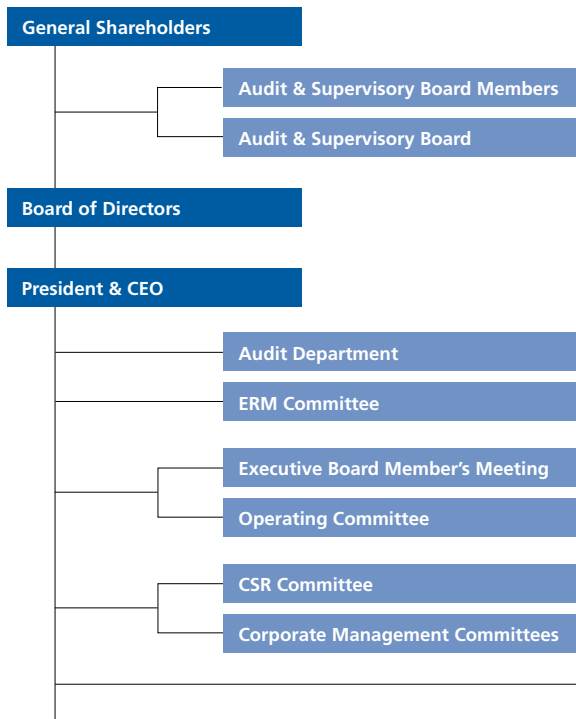


Delivering learning puzzles to children in disaster-stricken areas

Recovery support to disaster-stricken areas following the 2011 Great East Japan Earthquake

# Organizational Chart

(As of April 1, 2018)



- 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
    - Shizuoka Office
    - 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     | : 22 |
| Affiliates               | : 29 |

|   |  |
|---|--|
| <b>Metals Division</b>  |  |
| <ul style="list-style-type: none"> <li>Metal Planning Department</li> <li><b>Automotive Metal Products SBU</b></li> <li>Automotive Metal Products Department 1</li> <li>Automotive Metal Products Department 2</li> <li>Automotive Metal Products Department 3</li> <li>Automotive Metal Products Department 4</li> <li>West-Japan Steel Products Department</li> <li>East-Japan Steel Products Department</li> </ul>                   | <ul style="list-style-type: none"> <li><b>Metal Products SBU</b></li> <li>Steel Products Sales Department</li> <li>Metal Products Trading Department</li> <li><b>Metal Resources SBU</b></li> <li>Metal Resources Department 1</li> <li>Metal Resources Department 2</li> <li>Metal Trading Department</li> <li>Resources Development Department</li> </ul>                                  |
| <b>Global Parts &amp; Logistics Division</b>  |  |
| <ul style="list-style-type: none"> <li>Global Parts &amp; Logistics Planning Department</li> <li>Business Development Department</li> <li>Production &amp; Logistics Functional Department</li> <li><b>Global Parts SBU</b></li> <li>Global Parts Department 1</li> <li>Global Parts Department 2</li> <li>Global Parts Department 3</li> <li>Global Parts Department 4</li> <li>Global Parts Business Management Department</li> </ul> | <ul style="list-style-type: none"> <li><b>Global Logistics &amp; Assembly SBU</b></li> <li>Logistics Business Department</li> <li>Parts Assembly Business Department</li> <li><b>Materials &amp; Auto Parts / Accessories SBU</b></li> <li>Accessory Business Development Department</li> <li>Automotive Parts Department</li> <li>Industrial Materials &amp; Products Department</li> </ul> |
| <b>Automotive Division</b>  |  |
| <ul style="list-style-type: none"> <li>Automotive Planning Department</li> <li><b>Toyota SBU</b></li> <li>Americas &amp; Europe Automotive Department</li> <li>Asia, Oceania &amp; Middle East Automotive Department</li> <li><b>Dealer Business SBU</b></li> <li>Dealer Business Department</li> <li>China Automotive Department</li> </ul>  | <ul style="list-style-type: none"> <li><b>Multi Brands SBU</b></li> <li>Material Handling Machinery Department</li> <li>Hino Automotive Department</li> <li>Motor Brands Development Department</li> <li><b>Value Chain SBU</b></li> <li>Automotive Customer Service Department</li> <li>Automotive Business Innovation Department</li> <li>KD Business Department</li> </ul>                |
| <b>Machinery, Energy &amp; Project Division</b>   |  |
| <ul style="list-style-type: none"> <li>Machinery, Energy &amp; Project Planning Department</li> <li><b>Machinery SBU</b></li> <li>Power &amp; Drive Train Machinery Department</li> <li>Automotive Body Machinery Department</li> <li>Industrial Machinery Department</li> <li>NEXT Mobility Machinery Business Department</li> <li>Construction Machinery &amp; Project Department</li> </ul>  | <ul style="list-style-type: none"> <li><b>Power Project SBU</b></li> <li>Power Project Development Department</li> <li>Renewable Power Project Development Department</li> <li><b>Energy SBU</b></li> <li>Energy Business Development Department</li> <li>Energy Trade Department</li> <li>Energy Infrastructure Project Department</li> </ul>   |
| <b>Chemicals &amp; Electronics Division</b>   |  |
| <ul style="list-style-type: none"> <li>Chemicals &amp; Electronics Planning Department</li> <li><b>Automotive Materials SBU</b></li> <li>Global Automotive Materials Department 1</li> <li>Global Automotive Materials Department 2</li> <li>NEXT Mobility Chemical Materials Department</li> <li><b>Chemicals SBU</b></li> <li>Basic Chemicals Department</li> </ul>   | <ul style="list-style-type: none"> <li>Industrial Chemicals Department</li> <li>Inorganic Chemicals Department</li> <li>Chemicals Strategy &amp; Management Department</li> <li><b>Electronics &amp; Multimedia SBU</b></li> <li>Electronics Devices Department</li> <li>Information Technology Business Department</li> <li>NEXT Mobility Electronics Business Department</li> </ul>        |
| <b>Food &amp; Consumer Services Division</b>  |  |
| <ul style="list-style-type: none"> <li>Food &amp; Consumer Services Planning Department</li> <li><b>Agribusiness SBU</b></li> <li>Agribusiness Department 1</li> <li>Agribusiness Department 2</li> <li>Osaka Agribusiness Department</li> <li><b>Food SBU</b></li> <li>Food Department</li> </ul>  | <ul style="list-style-type: none"> <li><b>Insurance SBU</b></li> <li>Insurance Department</li> <li><b>Life Style SBU</b></li> <li>Apparel Business Department</li> <li>Living &amp; Healthcare Department</li> </ul>   |
| <b>Africa Division</b>  |  |
| <ul style="list-style-type: none"> <li>Africa Planning Department</li> <li><b>Automotive SBU</b></li> <li>Africa Automotive Department</li> <li><b>Technologies and New Business SBU</b></li> <li>Africa Business Department</li> </ul>   | <ul style="list-style-type: none"> <li><b>Healthcare and Chemical SBU</b></li> <li><b>Consumer Goods and Services SBU</b></li> </ul>   |

# Corporate Data

(As of March 31, 2018)

|                        |  |
|------------------------|--|
| 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: 3,571 Consolidated: 56,827   |
| Paid-in Capital        | 64,936 million yen   |
| Common Stock           | Authorized: 1,000,000,000<br>Issued: 352,107,671<br>(excluding 1,948,845 treasury stock) |
| Number of Shareholders | 40,589   |

|  |  |
|--|--|
| 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<br>Mitsubishi UFJ Trust and Banking Corporation<br>7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081<br>Phone (free dial within Japan):<br>0120-232-711 (Tokyo)<br>0120-094-777 (Osaka) |
| Handling Offices   | All branches nationwide of Mitsubishi UFJ Trust and Banking Corporation<br>All branches nationwide of Nomura Securities Co., Ltd.  |
| Website  | <a href="https://www.tr.mufig.jp/english/">https://www.tr.mufig.jp/english/</a>  |

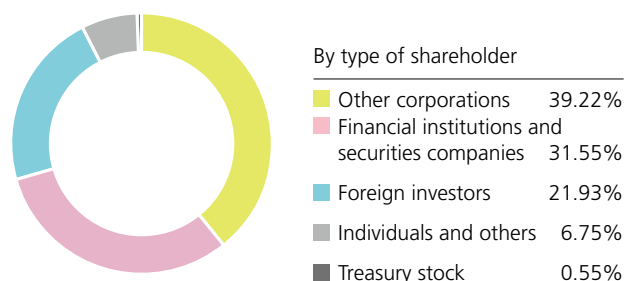
## Major Shareholders

| 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) | 28,092                       | 7.98             |
| Japan Trustee Services Bank, Ltd. (trust account)    | 15,733                       | 4.47             |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.               | 8,098                        | 2.30             |
| Mitsui Sumitomo Insurance Co., Ltd.                  | 4,800                        | 1.36             |
| Sumitomo Mitsui Banking Corporation                  | 4,249                        | 1.21             |
| Japan Trustee Services Bank, Ltd. (trust account 5)  | 4,200                        | 1.19             |
| Tokio Marine & Nichido Fire Insurance Co., Ltd.      | 4,049                        | 1.15             |
| STATE STREET BANK WEST CLIENT-TREATY 505234          | 3,979                        | 1.13             |

\*Note: The percentage of shareholding is computed excluding 1,948,845 shares of treasury stock

\*Note: The Bank of Tokyo-Mitsubishi UFJ has been renamed The Bank of Mitsubishi UFJ Bank as of April 1, 2018.

## Breakdown of Issued Shares



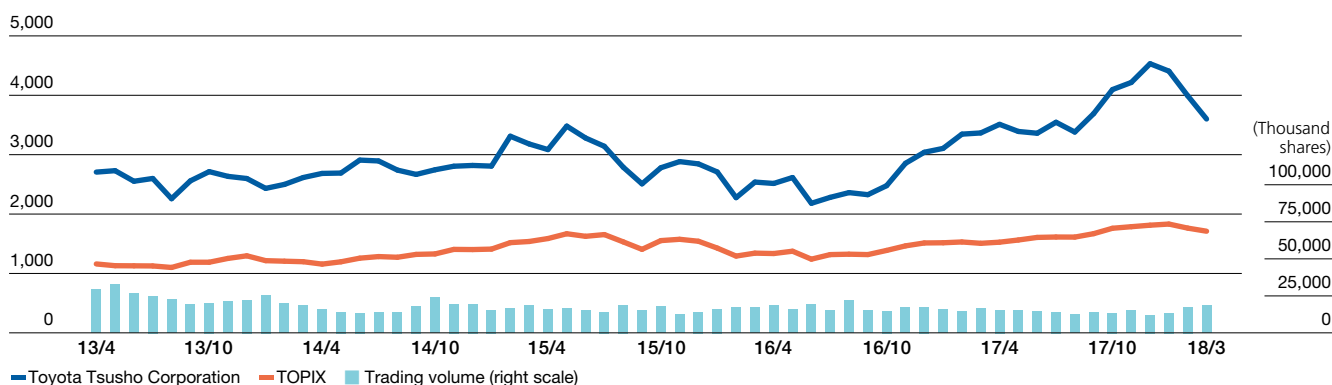
## Credit Ratings

(As of July 1, 2018)

|   | 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)



 **TOYOTA TSUSHO CORPORATION**

9-8, Meieki 4-chome, Nakamura-ku, Nagoya 450-8575, Japan

TEL: +81-52-584-5000

URL: <https://www.toyota-tsusho.com/english>

Contact

Public Affairs Department

TEL: +81-3-4306-8200

E-mail: [ttc\\_hp@pp.toyota-tsusho.com](mailto:ttc_hp@pp.toyota-tsusho.com)



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