

# 05

## Financial Strategy

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## CFO's Message

## Aiming to Achieve Steady Growth by Setting Higher Targets and Strategically Investing for the Future

### Fourth Consecutive Fiscal Year of Record-high Earnings Thanks to Successful Portfolio Management and Lean Operations

For the fiscal year ended March 31, 2025, we achieved 362.5 billion yen in profit for the year attributable to owners of the parent (profit for the year), giving us our fourth consecutive fiscal year of record-high earnings and growth of 9% from the previous fiscal year. It was a genuinely satisfying result that exceeded our high targets. It was also a year that gave us great momentum for the future.

Two factors behind this positive result were that we did not accrue any major losses during the year and that we achieved an effective integration of our product and regional portfolios. In terms of products, we are seeing the aggregation of the already-large automotive industry into an even more massive presence that incorporates elements of a range of other industries, including electronics, semiconductors, and batteries. In terms of regions, we have tremendous strengths in our Africa business, which has performed exceptionally, with profits almost quadrupling over the last few years. For the fiscal year ended March 31, 2025, our Africa Division recorded an annual profit of 79.5 billion yen. This was all thanks to a strategic

redirection of assets to Africa from an early stage, and a review of our regional portfolio that we took on our own initiative.

Financially, we focused on managing our balance sheet and succeeded in our pursuit of waste-free operations. As a major outcome, we have been able to generate an operating cash flow of around 500.0 billion yen for three consecutive years.

### Expanding the Scope of Three Value Domains to Achieve Profit of 450.0 Billion Yen for the Fiscal Year Ending March 31, 2028

At the end of April 2025, we announced our new Mid-Term Business Plan for the fiscal years ending March 31, 2026, through March 31, 2028.

For the first year of this plan, the fiscal year ending March 31, 2026, we expect a leveling-off of economic growth due to a shift from free trade to protectionism in the global economy. We were therefore careful to establish a more conservative plan. We incorporated the impact of U.S. tariffs, which are of concern, as a negative factor in profit for the year, with an impact of around 5.0 billion yen. In terms of exchange rates, we also assumed that the yen would remain high compared to the

#### Hideyuki Iwamoto

Member of the Board &  
Chief Financial Officer (CFO)

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previous fiscal year, as a result of which we estimated profit for the year of 340.0 billion yen.

While facing such external factors in the short term, the medium-term outlook for our businesses is bright. For this new Mid-Term Business Plan, we set a target of 450.0 billion yen in profit for the fiscal year ending March 31, 2028. We are therefore aiming for more aggressive growth by setting a higher target than for the previous Mid-Term Business Plan.

In the previous Mid-Term Business Plan, we organized our domains for investment under three values. The first of these is core value, which is where our strengths lie, including our mobility and semiconductor-related businesses. The second is social value (value generated by businesses that contribute to solving social issues), where we use the social capital of our battery, recycling, and other businesses and return the added value generated to social capital. And the third is nature value (value generated by businesses that reduce impact on the environment), where we return value to natural capital, including our renewable energy and hydrogen-related businesses.

Our target of 450.0 billion yen in profit for the year is based on expectations that growth in our core value businesses will continue and that we will reap the benefits of years of

investments. As we target even greater growth, we will continue our strategy of investing in more distinctive markets. During the fiscal year ending March 31, 2026, we will focus in particular on circular economy businesses, centered on recycling, as part of our social value efforts, which have already included our acquisition of Radius Recycling, Inc. in the United States, announced in July 2025.

In line with the Toyota Group's expansion of its plants, we have been engaged in resources recycling businesses in Japan and overseas since the 1970s. Leveraging this experience, we aim to develop an automobile collection and recycling platform, including battery recycling, in the huge U.S. market, with Radius Recycling at its core. After building a track record in the U.S., we will then move to India, China, and other markets.

We will strive to expand our core value mobility-related businesses with a view to the future while carefully identifying market trends. Taking into account that the shift to battery electric vehicles is slower than expected and that it will take time to achieve returns in renewable energy due to the nature of the business, we are placing our expectations on the recycling business in this new Mid-Term Business Plan.

## Investing 1.2 Trillion Yen over 3 Years

Since announcing our ROIC targets in the previous Mid-Term Business Plan, awareness of ROIC management has spread within the company.

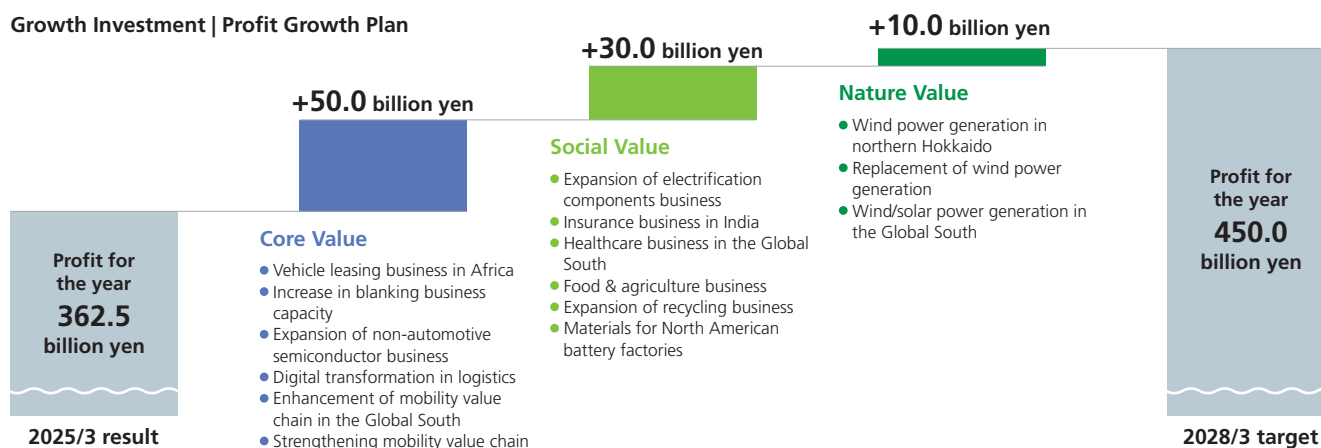
In this new Mid-Term Business Plan, we have set ROIC targets for each of our designated values, with targets of 15% or more for core value, 10% or more for social value, and 5% or more for nature value. Clarifying ROIC targets by value domain this way will enable us to appropriately allocate our investments.

Breaking down our investments by type of value, we expect to allocate 500.0 billion yen to core value. This investment is for such things as further expanding our existing businesses, adding functionality, and improving efficiency through digital transformation. We will also allocate 400.0 billion yen to social value. This investment is for proactive efforts to secure an advantage in target markets, including the recycling business I already mentioned and the healthcare business in India. And finally, we will allocate 300.0 billion yen to nature value for careful, staged investments, with consideration given to the investment environment and timelines of the renewable energy business.

Please note, though, that these allocations are based on current expectations, and they prioritize returns. We plan to be flexible in our search for businesses to invest in while constantly assessing the business environment. For example, there are currently projects in the social and nature value domains that are falling short of expected profit levels, but we have expectations for upsides over the coming three years in terms of technological and business model transformations. When it comes to social value, we are making preemptive moves based on the potential for increased awareness of the added value that recycling can bring to help limit new mining of underground resources. Equally, regarding nature value, we are expecting a growth in returns in the area of renewable energy due to technological innovations in power storage and conditioning.

Looking at this 1.2 trillion yen investment in terms of regions, we aim to invest 400.0 billion yen in the Global South. Having

### Growth Investment | Profit Growth Plan

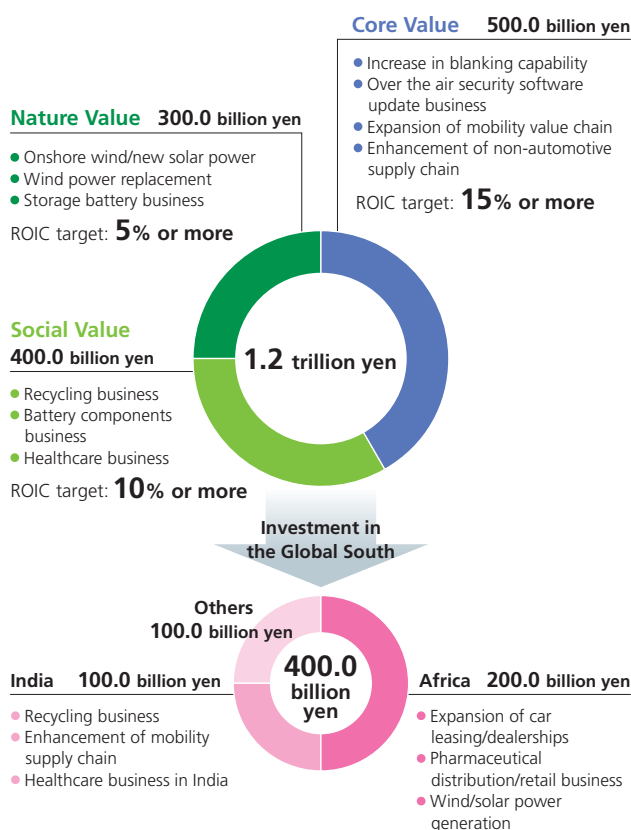


## CFO's Message

achieved a dominant position in Africa, we now intend to focus on India, Indonesia, and other countries as our next markets. We will apply the backcasting method, while studying our achievements in Africa, to identify optimal businesses for each region.

For example, India is not a market in which a growing middle-income group contributes directly to economic growth, as it does in Africa. Rather, it is a complex market with independent states having a mix of ethnicities and cultures. However, our strong relationships with Japanese automakers

### Main Investment Projects



are delivering solid profits. In the mobility area, we intend to grow our business in India by combining our current business foundation with insights we acquired through our Africa business. Therefore, there will be no need for additional large investments in areas such as asset acquisition. And speaking of asset acquisition businesses, we plan to focus on the fields of healthcare and lifestyle, including hospitals.

On the other hand, we will continue to identify and replace businesses that do not have potential for profit growth. We still have numerous businesses within our corporate group achieving net profit after tax of 100.0 million yen or less, so we will take new steps to rectify this situation. We have completed our withdrawal from petrochemical businesses, we have no stranded assets, and we only have a few equity-method investments. We will return to the basic premise of businesses being profit-generation vehicles, and we will identify which of our businesses to spend time developing, which to consolidate, and which to discontinue.

## Striving to Maintain ROE of 15% by Pursuing Returns and Reducing Shareholders' Equity

We established a company-wide target of 15% ROE for the fiscal year ending March 31, 2028. In addition to pursuing returns, we are also considering reducing shareholders' equity to achieve this target.

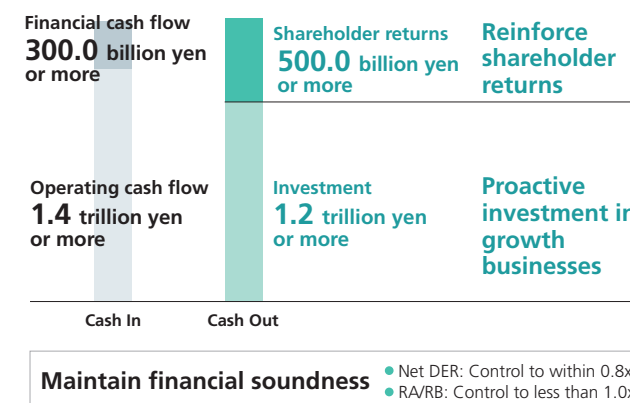
In terms of pursuing returns, we will actively invest at an even higher rate than before. We set ourselves a three-year cumulative operating cash flow target, on which our investment strategy is based, of 1.4 trillion yen. The nature of our businesses is that sales directly impact cash, and because we only have limited investment profits accounted for using the equity method, we can book net profit after tax as cash. We also constantly generate almost 500.0 billion yen in cash annually, including through depreciation expenses, and have

even exceeded 500.0 billion yen in cash flows for the two most recent consecutive years. Therefore, our target of 1.4 trillion yen over three years is conservative.

On the other hand, net debt-to-equity ratio (DER) for the fiscal year ended March 31, 2025, fell to 0.39 times. Even with a plentiful operating cash flow, we are aware of the need to further leverage our position as a trading company. To this end, we clarified our policy in this new Mid-Term Business Plan to use both operating cash flow and financial cash flow as investment resources. We lowered the management criterion for our net DER indicator from the up to 1.0 times in our previous Mid-Term Business Plan to a more realistic up to 0.8 times. We also promoted internally a policy of further leveraging ourselves to invest more often and in large projects as well. To boost profitability, we are taking a more aggressive stance in our search for new business opportunities while adding multiple projects to the pipeline.

### Capital Policy | Capital Allocation

## "Actively make investments and provide returns to shareholders" based on a solid financial base





## CFO's Message

In terms of reducing shareholders' equity, we decided that now is the time to take serious measures. We will, therefore, focus on capital policy and work to create a leaner balance sheet by eliminating cross-shareholdings.

For the fiscal year ending March 31, 2026, we intend to reorganize our cross-shareholdings within the Toyota Group. By value, our holdings in Toyota Industries Corporation account for about 80% of such stocks. By divesting these stocks, we will further improve our balance sheet bottom line. We understand the importance of properly implementing capital policy within the Toyota Group. At the same time, however, it is also extremely important that we fulfill our investor relations accountability in terms of capital policy. Thus, our challenge is to clearly explain that policy to our long-term shareholders.

Of course, we still have to think about progressive

dividends to meet the expectations of shareholders. From this new Mid-Term Business Plan, we have set a new target of 40% or more for the total payout ratio. To maintain the previous policy of continuous progressive dividends, we are also considering the acquisition of treasury stocks as one measure of returns to shareholders.

### A Promise to Create New Value Through Unique Businesses and Solid Growth that Meets Expectations

We realize that to meet the expectations of shareholders, it is important that the stock market appreciates our growth potential. We are also aware of issues with our current price-to-equity

ratio (PER), which is an indicator of corporate growth.

When it comes to business activities, our shareholders positively evaluate us for the good results produced by our unique businesses pursued by no other company. They also rate us highly for the size of the automotive industry and our solid relationship with industry leader Toyota Motor Corporation. To ensure even more stakeholders feel the same way about us, we will strive to enhance corporate value on many fronts.

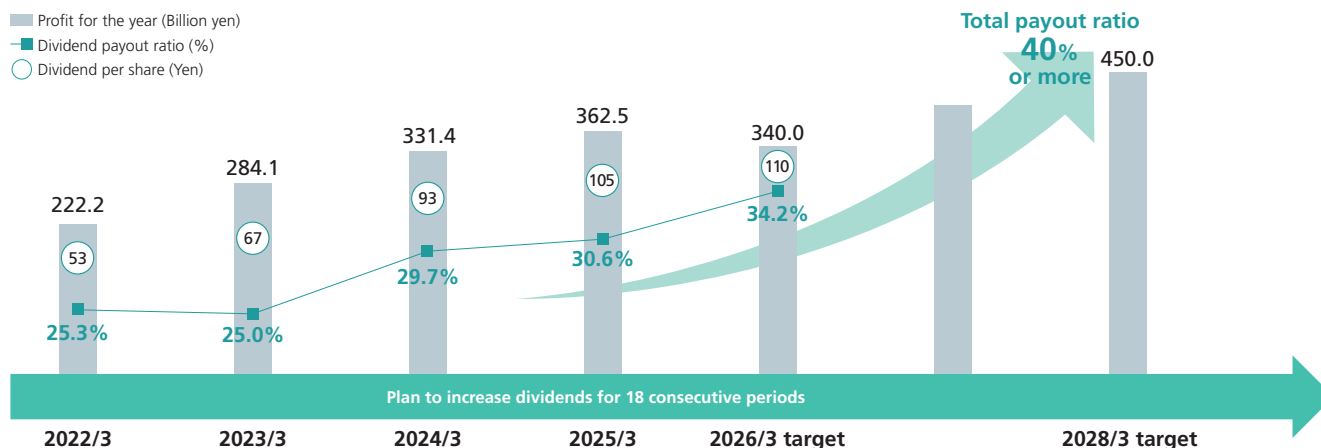
As one of those efforts, we implemented a stock split in July 2024. We are not only working to expand the investor base through this action but also to increase the liquidity of our stock as well. To continue improving ROE as in the past, we will implement an investment strategy that attracts and excites the stock market, with a rollout over the coming three years of businesses that other companies do not have.

During this new Mid-Term Business Plan, we are implementing an investment strategy focused on the keyword "synergies." By generating synergies among our various strengths, business domains, and local markets, we aim to provide new value and achieve sustainable growth. From our distinctive Africa businesses to recycling, renewable energy, batteries, and other businesses, by skillfully combining many different elements, we will create a new and unique business model that achieves corporate growth. In addition to this unique business development, we will put even more effort into related public relations activities. In this way, we expect a positive reaction to our growth pathway that will lead to an improved PER.

As shown by our past results, we have made good on our promises to improve business performance and dividend payouts. We ask our shareholders and investors to have faith in us, look forward to a positive long-term future, and continue to offer their support.

#### Capital Policies | Shareholder Returns Policy

**From FY2025 to FY2027, we aim to target a total payout ratio of 40% or more, including share repurchases, while maintaining a progressive dividend.**



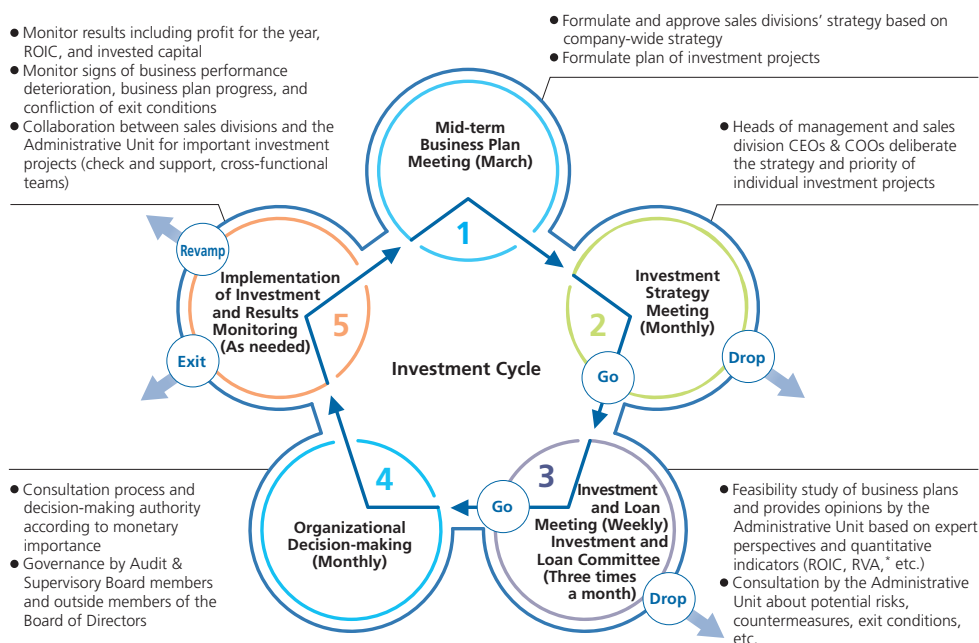
## Investment Cycle Management

### Basic Approach to Investing

Our basic approach to investing is not to target short-term profits but rather to make strategic investments whereby a business is developed over the medium- to long-term, thus leading to the expansion and strengthening of the Toyota Tsusho Group's value chains. We focus our management resources on businesses in which we can demonstrate Toyota Tsusho's unique strengths through discussions of each division policies based on companywide policies and the formulation of investment pipelines.

For investment projects that exceed a threshold level, the strategic value and order of priority of the investment are discussed at the Investment Strategy Meeting to determine whether it should be pursued. At the feasibility study of an investment, the Administrative Unit examines the business plan from an expert perspective and then discusses and provides opinions on risk assessment and mitigation measures. A final investment decision is then made through discussions at the Investment and Loan Meeting and Investment and Loan Committee. For important investment projects, the Administrative Unit and each sales division put in place a collaborative team to resolve issues.

In addition, to speed up decision-making on investments, decision-makers are assigned based on predefined conditions and monetary importance, and decision-making authority is delegated to some affiliates.



\* RVA: Risk-adjusted Value Added

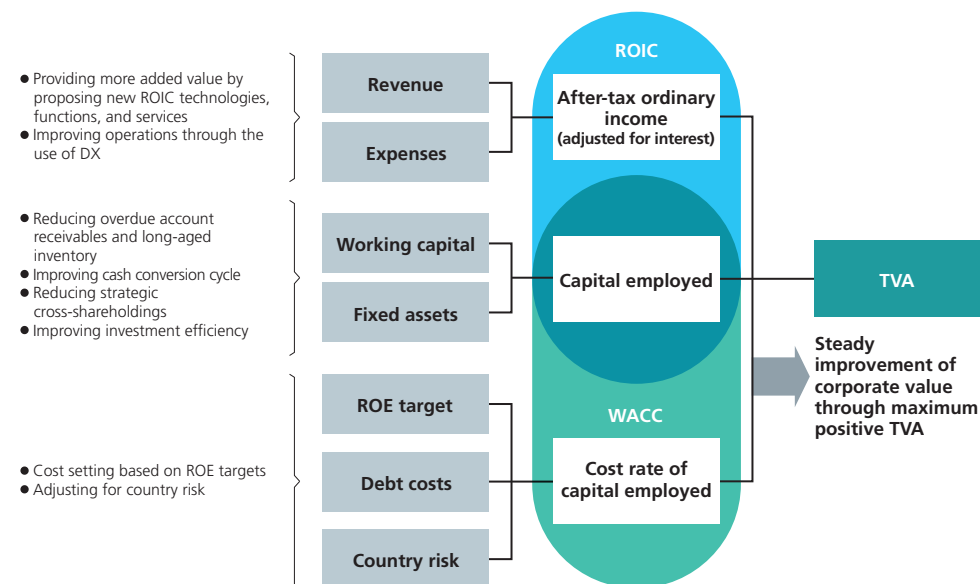
### Structure Conscious of Capital Efficiency and Cost of Capital

We have implemented ROIC as a business management indicator, also using it as a KPI when deliberating on investment projects. This allows us to be keenly aware of the efficiency of return on invested capital. For the three value domains of core value, social value, and nature value, we have set a target for each domain, aiming to achieve a ROIC of 15% or more, 10% or more, and 5% or more, respectively. In the Mid-Term Business Plan (the fiscal year ending March 31, 2026, to the fiscal year ending March 31, 2028), we also include a ROE of 15% or more as a quantitative target and are working to improve our profitability and capital efficiency.

In addition, we use Toyotsu Value Achievement (TVA)—a unique indicator measuring the value added beyond the expected rate of return on invested capital (funds used), or the cost rate of capital employed—for monitoring the performance and investment effects of sales divisions and business units. The cost rate of capital employed, which is the weighted average of shareholders' equity and debt costs, is designed in a way that ensures improving TVA through higher capital efficiency and profit growth will lead to the achievement of ROE targets. In addition, by adjusting for country risk, we ensure an approach that matches the global nature of our business.

For optimal allocation of management resources, we have reevaluated our businesses by classifying them into four quadrants based on their competitiveness and growth expectations, accelerating our efforts to exit the non-core business and reduce low-profit companies.

### Examples of On-site Initiatives Conscious of Capital Efficiency and Cost of Capital



# Risk Management

## Risk Management System

Referencing the COSO\*1 ERM Framework, we launched an Integrated Risk Management Committee in April 2020 as a structure for putting the Risk Management Basic Policy into practice. The committee is aimed at promoting global risk management in addition to individual management that has been conventionally carried out by risk Supervisory departments for their respective risks. It is chaired by the CFO and consists of regional CFOs, the general manager of the planning department of each sales division, and the executives and general managers in charge of respective risks. The committee clarifies risks that could impact the Toyota Tsusho Group's management, identifies important risks, discusses and decides on response policies, verifies the effectiveness of the risk management process, and reports to the CEO. The committee also makes proposals to the Board of Directors meeting, which supervises the effectiveness of the risk management process based on such proposals and takes appropriate action if necessary.

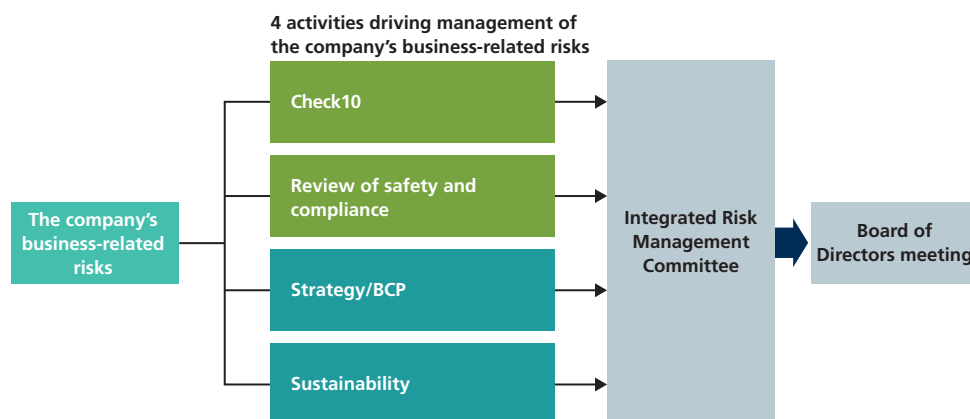
The committee advances risk management through four activities: Check10, review of safety and compliance, strategy/BCP, and sustainability.

Check10 is an improvement activity implemented based on the findings of group companies' self-assessment and their regional headquarters' review for the 10 items identified as risks that should be given the highest priority. Check10 aims to implement improvement measures by conducting assessment for each risk item and visualizing the risk management status.

The review of safety and compliance is an activity based on the idea of "beginning everything we do with safety and compliance," which is shared across the entire Toyota Tsusho Group. All of Toyota Tsusho's departments, domestic and overseas sites, and group companies, conduct inspections on their own to confirm the acquisition status of licenses, permits, registrations, etc.

\*1 Committee of Sponsoring Organizations of the Treadway Commission

### Risk Management System

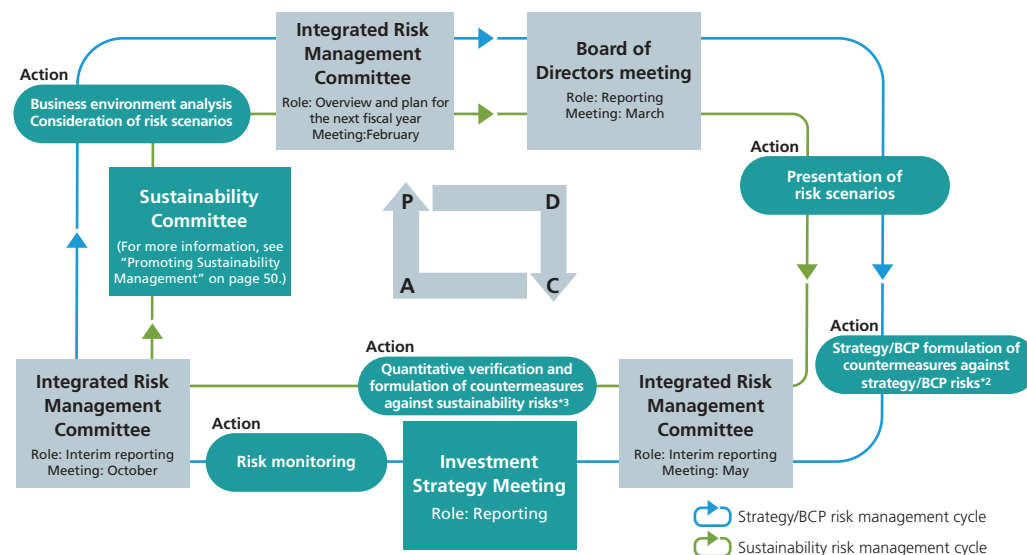


necessary for their operations, as well as compliance with quality and certification standards based on laws and regulations. The process and results of such an inspection are then subject to on-site, hands-on verification by executives in charge of responsible divisions. By enhancing Check10 and activities for review of safety and compliance, we have strengthened not only collaboration between Toyota Tsusho's departments responsible for respective risks and group companies but also the relationship within the relevant region, successfully building an integrated risk management system on a consolidated basis.

In strategy/BCP initiatives, analyzing macro-risks and BCP risks that affect strategy is becoming increasingly important as uncertainty associated with changes in the external environment is growing, thereby having greater impact on our business. Based on external environment (PEST) analysis, we consider the risks and opportunities for our business presented by changes in the external environment and implement measures for each scenario. As for sustainability initiatives, given the increasing impact of sustainability-related risks and opportunities on us, we are strengthening analysis and measures.

As described above, we classify highly important and urgent risks that exist in carrying out Toyota Tsusho Group business according to their factors, and appropriately implement the process of building an internal management system that suits their respective characteristics and reporting to the Integrated Risk Management Committee.

### Risk Management for Strategy/BCP and Sustainability



\*2 Strategy/BCP risks: Risks affecting the implementation of strategy identified through external environment (PEST) analysis

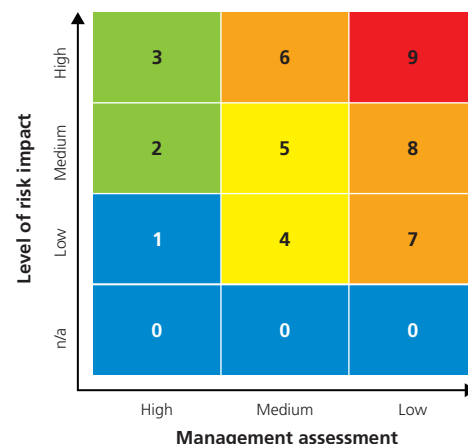
\*3 Sustainability risks: Risks related to sustainability

## Risk Management

### About Check10

As part of Check10 activities, the 10 risk items (product, credit, business, finance, internal control, human resources and labor, information security, misconduct, logistics, and occupational safety and environment) selected as risks to be given the highest priority are assessed and scored by each business entity on a two-axis matrix of risk and management systems, and a heat map is created to visualize both quantitative and qualitative risks. The relevant risk assessment is then analyzed with support from the department responsible for the risk. To identify global risks and problems, and then work to eliminate and minimize them, we discuss and promote the necessary countermeasures to establish and strengthen the risk management system on a consolidated basis.

**Two-axis Matrix of Risk and Management Systems**



### Check10 risk

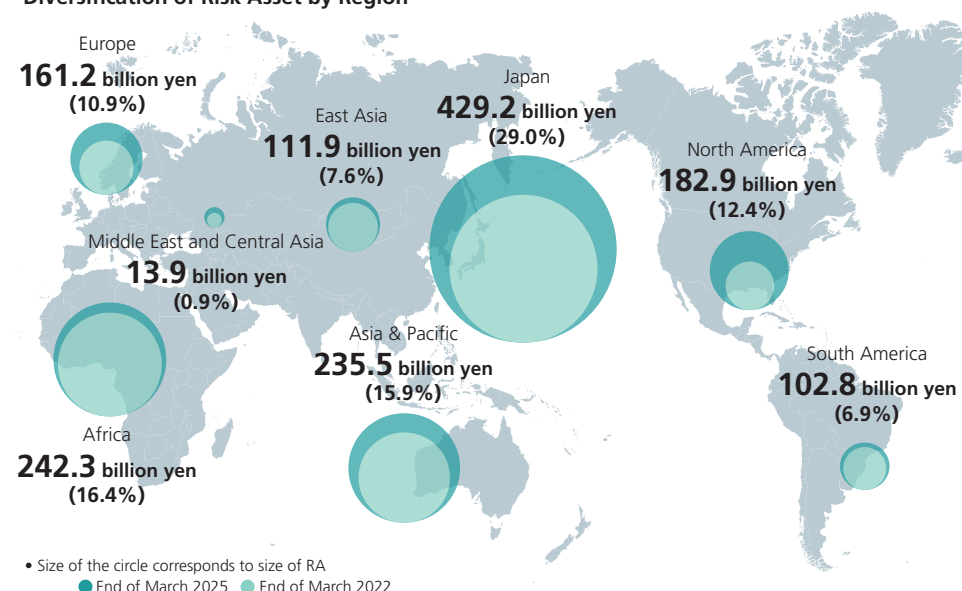
Risk items	Risk details	Risk Supervisory department
(1) Product	Long-age inventory, product positions	Business Accounting Department, Investment and Credit Department
(2) Credit	Overdue account receivable, low-rating transaction counter party	Investment and Credit Department
(3) Business	Downturn in performance, low profit	Investment and Credit Department
(4) Finance	Foreign exchange positions, fund procurement, countermeasures against BEC and cash flow management, prevention of remittance fraud	Finance Department
(5) Internal control	Reduced risk of improper conduct	Audit Department
(6) Human resources and labor	Labor disputes and human rights violations	Global Human Resources Department
(7) Information security	Fulfillment of All Toyota Security Guideline, key cybersecurity measures	DX Acceleration Department
(8) Misconduct	Prevention of cartels and rigging	Legal Department
	Prevention of bribery, education for misconduct prevention	Compliance & Crisis Management Department
(9) Logistics	Logistics compliance	Global Logistics Management Department
(10) Occupational safety and environment	Industrial accidents, fires and explosions, environmental management	Global Safety & Environmental Promotion Department

### Risk Asset Management (RAM)

We engage in risk asset management (RAM), in which Risk Asset (RA) are calculated by multiplying risk exposure (RA principal) on a consolidated basis by risk weight (RW)—the maximum expected loss ratio based on credit rating and country risk—and balancing it with risk buffer (RB) based on financial corporate strength. Our basic RAM policy is to maintain a ratio of RA to RB below 1.0. To achieve this, we simulate the ratio of RA to RB based on the investment pipeline and other factors to achieve both investment in growth and financial soundness. For exposure in emerging countries with relatively higher country risk, we hedge risks through insurance by Nippon Export and Investment Insurance (NEXI) among other measures. We also manage country risk by setting country-specific maximum limits based on RB to prevent excessive concentration in specific countries. In addition, we conduct Risk-adjusted Value Added (RVA) assessments during transaction screening and investment discussions to raise awareness of the need to secure sufficient return for the risk.

Although RA has increased in each region due to business expansion as well as country risks that materialized in some emerging countries, our RA continue to be well diversified by region. As a result of RA management and the continuous accumulation of RB, the RAM figure for the fiscal year ended March 31, 2025, stood at 0.6. RA was again held within the range of RB (ratio of RA to RB of 0.6, which is below 1.0), and we thus maintained a sound and stable financial structure.

### Diversification of Risk Asset by Region



- Size of the circle corresponds to size of RA
- End of March 2025 (dark teal), End of March 2022 (light teal)
- Compiled based on the location of credit and investment destinations for Toyota Tsusho Group's consolidated assets, guarantees, etc.
- Figures on the map are compiled figures as of March 31, 2025, and percentages of total Risk Asset.