Toyota Tsusho Corporation

< Briefing on Mobility Production-Related Businesses Held on October 19, 2026: Main Questions and Answers >

Date and Time: October 19, 2026 (Monday), 15:00 – 16:30

Participants:

Hiromasa Ishii, CEO for Metal+ (Plus) Division
Hiroki Nakayama, CEO for Supply Chain Division
Satoshi Kiyama, Deputy CFO

Q. Among the factors that have supported the growth of the Metal+(Plus) Division's businesses, which has contributed the most to earnings, and what will drive future growth?

A. The largest contributor has been improved profitability at our 33 existing locations across 16 countries. Strengthening the earnings base at each location through productivity improvements, cost reductions, and other initiatives has underpinned steady profit growth. Customers also recognize our operational excellence, which has enabled us to expand our business domains by taking on processes that customers previously handled in-house, leading to further profit growth. Looking ahead, we will aim to reach the next stage of growth by continuing to strengthen the competitiveness of our existing businesses while expanding into next core business areas that broaden our technologies and business domains.

Q. What is the background to, and strategic objective of, entering the MRO business in the aviation sector?

A. The recovery in air travel has increased demand from airlines for heavy airframe maintenance, and this is a sizable market. Given these market conditions, we are focusing first on entering the heavy maintenance business. This is an area of strong customer demand and will provide a foothold for developing our aviation business. Building on the expertise and customer base developed through heavy maintenance, we will also consider expanding into adjacent areas, including component maintenance and engine MRO, to establish our business base in the aviation sector.

Q. What is your strategy on expanding business with non-Toyota OEMs?

A. Our business strategy is not limited to specific OEMs. As a trading company, we are expanding our business with a broad range of OEMs while responding flexibly to changes in global markets. Drawing on the supply chain management capabilities and operational excellence we have developed over many years, we are expanding our business with other Japanese OEMs, including Suzuki, as well as rapidly growing Chinese OEMs. We will continue to pursue business opportunities in response to global

automotive production trends and changes in market structure.

Q. How do additional costs arising from logistics network changes, emergency responses, quality issues, and other factors affect profit?

A. Many logistics network changes are implemented as cost reduction measures through shipment consolidation and route optimization. For example, in North America, consolidating shipments for multiple customers and reducing intermediate stops have helped reduce both logistics costs and CO_2 emissions. We also leverage our global centralized purchasing arrangements with shipping companies and our procurement capabilities to manage fluctuations in logistics costs and limit cost increases. For unexpected costs that are difficult to absorb, such as arranging charter services in response to emergencies or quality issues, our contracts with customers often specify in advance how these costs will be allocated. In such cases, costs are shared with customers in accordance with the contracts. As a result, the direct impact of these temporary cost increases on our profit is limited.

Q. What is driving growth in triangular trade in the Supply Chain Division? Is there also potential to apply the logistics expertise developed through your business with Toyota to other industries?

A. Parts supply from overseas production bases in countries such as Thailand and Indonesia to emerging markets is expanding, and triangular trade now accounts for approximately 70% of our logistics volume. Even as local production for local consumption expands, we expect demand for supply chains connecting overseas markets to remain strong given the importance of production optimization, and therefore expect continued growth in this area. Previously, we focused on simply rolling out the logistics expertise we had developed to other businesses. In recent years, however, we have taken this approach to the next level by proposing solutions to challenges across customers' entire supply chains, including inventory reduction and supply network optimization. As a result, projects for bicycle manufacturers and automotive parts manufacturers outside the Toyota Group are also progressing, and we will continue to expand our business.

Q. Vehicle development cycles are becoming shorter, particularly among Chinese manufacturers. How do you view the impact on the Supply Chain Division's businesses?

A. We see both positive and negative implications for our businesses. On the positive side, more frequent new vehicle launches and model updates increase demand for parts transportation and logistics management, creating additional business opportunities. On the negative side, more frequent model changeovers require us to review logistics arrangements and rebuild supply systems, increasing the operational workload and

costs.

Q. What were the main factors behind the substantial increase in profit per vehicle since FY2022? Which areas will drive further profit growth?

A. Profit growth since FY2022 has been driven not only by increased vehicle production, primarily in North America and Southeast Asia, but also by productivity improvements and a stronger earnings base at our processing locations in each region. In North America, Thailand, and Indonesia in particular, we have used our global processing and distribution network to improve yield and efficiency, enabling us to improve profitability at a faster rate than handling volumes increased. Expanded sales of high-performance materials, including high-tensile steel sheets (ultra-high-tensile steel) and electrical steel sheets, have also supported profit growth, as the difficulty of processing these materials creates opportunities for us to add value. Looking ahead, we will expand sales to non-Toyota OEMs and make increased sales of high-value-added products, including high-performance steel materials and specialty pipes, drivers of growth. We will also pursue further earnings growth by meeting demand from data centers and semiconductor plants and expanding green steel-related businesses.

Q. What drove the substantial profit growth in the Supply Chain Division from FY2022 to FY2023?

A. Increased logistics volumes between overseas markets, including triangular trade, have underpinned the expansion of our business. In addition to our traditional logistics operations centered on shipments to and from Japan, an increase in projects supplying parts produced in Asia to South America, Africa, and other regions has significantly expanded our business scale. Increased handling of functional components, such as electronic components, has also contributed. Furthermore, our longstanding efforts to develop logistics networks and improve on-site operations began to bear fruit following the COVID-19 pandemic. The resulting cost reductions and productivity improvements have enabled us to achieve profit growth that does not depend solely on increases in handling volumes or vehicle production.

Q. What initiatives will you pursue to further improve ROIC and capital efficiency? We understand that there has been relatively little investment in these businesses to date. What is your approach to investment going forward?

A. The Metal+(Plus) Division supports supply chains by maintaining inventories, while its processing businesses require substantial investment in equipment. These business characteristics mean that invested capital is relatively high, making these areas a key factor in improving ROIC. We aim to reduce invested capital by using digital technologies to connect data and build virtual procurement hubs, thereby optimizing inventories across

the entire supply chain. Another key to improving ROIC is anticipating regional growth and relocating assets to growing markets as early as possible to align them with demand. For example, relocating assets that have already been largely depreciated allows us to establish businesses with a limited capital commitment in highly competitive emerging markets and compete effectively. We will also reallocate human resources to growth areas while advancing digitalization and labor-saving initiatives.

The Supply Chain Division's businesses are classified as "Core Value" within the company, and their ROIC meets the requirement of at least 15% for this category. Our immediate focus for further improvement is optimizing working capital and inventories. To this end, we monitor and manage working capital and inventory levels daily. Looking ahead, we are also considering increased investment. One area under consideration is new initiatives with parts manufacturers that are key partners. Another is expanding logistics centers equipped with automation systems overseas, drawing on our strengths and expertise in on-site operations.

Q. How will the Metal+(Plus) Division achieve sustained growth as vehicle production growth slows?

A. We continually discuss within the division how to increase profit even when vehicle production growth slows, and we are taking action accordingly. We are implementing a range of measures, including additional capital investment in growth regions and reducing our asset base in certain regions, to ensure profitability even if vehicle production levels off. Under Toyota's "Home & Away" approach, we are also continuously refining our operations and taking on additional processes to maximize the competitiveness of the Toyota Group. As we expand our business domains and locations and take on a broader range of processes, we will continue to build a win-win relationship that contributes to Toyota's business expansion while broadening our own business opportunities. We are confident that these capabilities, honed within the Toyota Group, will also appeal to other OEMs. We will use these advanced capabilities to broaden our customer base and expand our business.

Q. Could you elaborate on the prospects for exporting ICE parts with India as a hub and the impact of electrification?

A. India's automotive market is expected to grow strongly, while infrastructure challenges mean that electrification will take time. We therefore see India as the last stronghold for ICE vehicles. The scale of its domestic market will also require substantial volumes of ICE parts, and we believe India will eventually become a major hub for these parts. As electrification advances elsewhere and ICE parts production declines, we expect India to fill the resulting supply gaps. We are developing plans to expand ICE parts exports from India in collaboration with manufacturers that share this view. As for the impact of

electrification, the division's handling of engine-related parts is limited. We therefore do not expect the shift from engines to motors and batteries to directly cause a substantial decline in our business.

Q. How will the shift to EVs affect the Metal+(Plus) Division's business? What business potential do the two divisions see in Africa?

A. The shift to EVs will inevitably reduce the number of parts used in vehicles. While demand for steel materials is trending downward, demand for lighter materials is increasing, and we are receiving more inquiries. Ultra-high-tensile steel is difficult to process, creating opportunities for us to enter this market by adding value through our processing capabilities. Although it was once predicted that aluminum would replace most automotive materials, the shift to aluminum among OEMs has not progressed as far as initially expected. Steel retains significant advantages, including recyclability, and a certain level of demand will remain. We therefore see opportunities to succeed by focusing on ultra-high-tensile steel.

Africa's automotive production market has not yet grown enough to justify establishing new operations. However, we see significant potential in green steelmaking raw materials, including hydrogen-based direct reduced iron, as part of the next core business areas that we are developing as our next pillar of growth. Our blanking business supporting Toyota's production in South Africa also has a long history, and we have established good relationships with local steel mills. We intend to pursue growth by combining these existing businesses with steelmaking raw materials in our next core business areas.

The Supply Chain Division similarly believes that it will take time for Africa to become a major automotive production base. Our current initiatives, including local parts assembly to increase local content, are beginning to deliver results. We also see strong potential for India as a source of parts for Africa and will focus further on this opportunity.

Q. Given the market's cautious view of automotive parts manufacturers, what strategies are you considering to achieve future growth and business expansion?

A. We currently see two main risks. The first is slowing growth in Toyota's global vehicle production and intensifying competition with other OEMs. The second is the possibility that progress in green businesses, which we have identified as our next growth area, may stall due to regulations in various countries and markets. We believe that the on-site manufacturing capabilities we have honed together with Toyota can also be applied to other OEMs, and we see this as an opportunity to refine them further. We will also strengthen collaboration with the Circular Economy Division, which has established a strong presence in its field, to build a closed-loop supply chain for steelmaking materials. We believe this can become a major growth driver for the company as a whole.

Although the market’s assessment of parts manufacturers remains cautious, some manufacturers continue to possess strong competitiveness and technological capabilities. Drawing on the expertise we have developed over the years to identify manufacturers with strong competitiveness and technological capabilities, we are flexibly considering a range of options, such as pursuing growth together with these manufacturers and other partners.