TOYOTA TSUSHO CORPORATION

Important management resources

Partner strategy
Toyota Tsusho is building core competence by expanding its business collaboration with powerful partners in various fields, starting with collaboration within the Toyota Group built up over many years of efforts in our Mobility domain.

Regional strategy
We will strengthen advancement of our inter-regional synergy, based on cross-regional strategic significance, in newly emerging regions, centered on regional management of our five regions: Asia & Oceania, Europe, North & Central America, East Asia, and Africa.

Value chain
We will offer our unique added value in each of the processes of development, procurement, production, and sales, in all fields in which we are engaged, in an effort to maximize the quality of each product and service.

Business synergy
Through large-scale M&As, such as those with Kasho Company, Ltd., Tomen Corporation, and French trading company CFAO, we will exercise our respective strengths to build a diverse business foundation and a wide customer base.

General trading company functions
In addition to our general trading company functions of information gathering, logistics, and finance, we are adopting a development investment-style business to offer our own unique added value.

Partnerships
In addition to the Toyota Group, we are building powerful partnerships in a range of fields through M&As.

Global network
Our business extends globally, with a network of more than 1,000 group companies spread throughout over 120 countries and regions around the world.

Addressing social issues and needs

Life & Community
Business domain that contributes to the realization of a comfortable and healthy society

Creating new value
As a value-creating company that contributes to the building of a prosperous society, we aim to address social issues and needs and are constructing a business model that maintains a balance between growth, efficiency, and soundness while using management resources to create new value.

With the strengths we have accumulated in our Mobility domain, we will seek further growth in our Life & Community and the Resources & Environment domains. In addition, we will expand initiatives in regions and fields where we can use our knowledge as we strive for sustainable growth.

**Invest in fields in which we can fully apply our strengths**

Although our business base and our strength is automobile-related business, we will not rely solely on this. Instead, we will also invest in fields that have the potential to become future business pillars in which we can use our strengths, aiming to realize our vision.

**Strict operation of investment cycle**

We hold regular companywide meetings to verify the strategic value of new investments, their priority for the company as a whole, and business feasibility. We have also introduced a business monitoring system and are striving to tighten rules on restructuring or exit for existing investments.

**Financial strategy**

We will prioritize a high ROE, which correlates closely with shareholders’ equity, net DER, which is an indicator of financial stability, and cash flow, which indicates movement of funds, aiming for stable growth while maintaining sound finances, in order to maintain a sturdy financial condition that balances revenue and funds.

**Risk management**

We measure risk assets, representing the aggregate of risk on a consolidated basis, aiming to strike a balance with our risk buffer, which is the maximum permissible level of risk. We also monitor profitability corresponding to risk, whereby we monitor both realization of a healthy financial condition and profitability.

**Governance**

We actively promote reinforcement of efficiency, transparency in management, and compliance. We work to achieve a sound financial condition.

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**Toyota Tsusho’s Value Creation Process**

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**Genba strength**

With our Kaizen (continuous improvement) based on the Toyota Production System (TPS), we are undertaking comprehensive Kaizen activities in our logistics, production, and administrative operations.

**Global human resources**

We are promoting the hiring and development of personnel who can most effectively respond to the changing business environment and diversifying customer needs.

**Financial capital**

We maintain a strong financial base that can produce a stable cash flow and that will enable active investment for sustainable growth.

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**Resources & Environment**

Business domain that contributes to the realization of a sustainable society in the future.

**Mobility**

Business domain that contributes to the realization of a highly convenient society in the future.

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**Toyota Tsusho’s Value Creation Process**

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**Addressing social issues and needs**

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**Toyotsu Core Values**

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**Corporation that Contributes Prosperous Societies**

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**Financial capital**

We maintain a strong financial base that can produce a stable cash flow and that will enable active investment for sustainable growth.
Concept of the Mid-term Business Plan

The company’s business environment, particularly with respect to mobility, is undergoing significant changes. In order 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. Even so, we will conduct rolling reviews on an annual basis to continuously reflect the recent major changes in the business environment.

Specific provisions of the current Mid-term Business Plan include reinforcing our earnings foundation centered on the Toyotsu Core Values and investing approximately 200 billion yen over the two years through the fiscal year ending March 31, 2020 in our three business domains: Mobility, Life & Community, and Resources & Environment.

Investments will be made only to the extent of cash flows from operating activities. We will rigorously select projects that make use of our strengths and conduct strict operation in accordance with quantitative criteria to increase investor returns.

Through these efforts, we will undertake challenges in new areas with a target of increasing profit for the year attributable to owners of the parent from 110 billion yen in the fiscal year ending March 31, 2018 by 20 billion yen, to 130 billion yen, in the fiscal year ending March 31, 2020.

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

<table>
<thead>
<tr>
<th>Business Domain</th>
<th>Earnings</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
<td>+11.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Resources &amp; Environment</td>
<td>+5.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Life &amp; Community</td>
<td>+4.0</td>
<td>30.0</td>
</tr>
</tbody>
</table>

Special-focus Areas

- **Mobility**
  - Automobile sales
  - Automobile production & peripheral business
  - Logistics & value chain
  - Automotive electronics
  - Automobile accessories & materials

- **Resources & Environment**
  - Renewable energy
  - Metal resources & recycling
  - Electric power & energy
  - Grain silos & value chain
  - Overseas plants & infrastructure

- **Life & Community**
  - Retail business & beverages in Africa
  - Pharmaceuticals & medical supplies and chemical products in Africa
  - Consumer electronics
  - Fertilizers, detergents, hygiene materials, and packaging
  - Lifestyle-related (insurance, foodstuffs)
Priority Areas

The automobile industry is entering a period of change with regard to industrial structures as a result of technological innovation, including the Internet of Things (IoT) and artificial intelligence (AI). To respond promptly to these changes, this fiscal year we established a specialized organization with 150 members from multiple sales divisions to address issues regarding next-generation automobiles (next mobility).

We also established an internal fund to target new technologies and services that will drive future growth, not limited to automobiles, and are supporting development of innovative technologies and new business in each of the areas in which the company is active.

We seek change as an opportunity and are taking even more measures to expand and reinforce the company’s Mobility domain while consistently taking the initiative.

With regard to our Africa business, we expect business conditions to remain difficult as a result of falling resource prices, but we still believe that there is potential for substantial growth. Going forward, we will develop consumer markets targeting the middle class and form business tie-ups with excellent partner companies to continuously develop business from a long-term perspective.

We believe that creating local employment opportunities and growing in tandem with local communities are important, and we will continue to conduct high-quality management with an emphasis on compliance. Under the slogan “With Africa, For Africa,” we will foster the company’s absolute strengths in Africa.

Analysis of Mobility Environment
- Automotive industry undergoing once-in-a-century structural transition
- Automobile value changing due to technological innovations, such as IoT and AI

Analysis of African Environment
- Economic growth sluggish due to falling resource prices
- Weak economic structure centered on primary products
- Workforce with a high percentage of young workers
- High industrial growth potential

Governance Structures

Toyota Tsusho introduced an executive officer system in 2006 for the purposes of accelerating the pace of management and reinforcing corporate governance.

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 important management issues and monitoring the execution of business. The Board of Directors was streamlined, with the number of directors reduced from 16 to 12, the focus of the board’s roles was placed on companywide management and monitoring the execution of business, and a structure that enables the board to concentrate fundamentally on deliberating on management issues was created.

In addition, governance functions, which had been concentrated in Chief Division Officer of 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 reinforce governance functions.

By clarifying duties and responsibilities, specialization was reinforced and the pace of decision-making was increased.

* CTO: Chief Technology Officer
CSO: Chief Strategy Officer
CIO: Chief Information Officer
CFO: Chief Financial Officer
CCO: Chief Compliance Officer
CAO: Chief Administrative Officer

### Governance Structures Diagram

- **Chairman**
- **Outside Directors**
- **President & CEO**
- **Executive Vice Presidents**
- **Executive Officers, who perform companywide management**
- **Other Executive Officers**
- **Executive Officers (execution of business)**
- **Board of Directors (decision-making)**

**Decision-making**
- Appointment and supervision of executive officers

**Execution of Business**
- Deliberation on important management issues
- Reports on the execution of business

**Audits & Reports**
- Full-time Audit & Supervisory Board Members
- Outside Audit & Supervisory Board Members

**Next Mobility Strategy**
- Established a specialized organization with members from multiple sales divisions (total membership of 150)
- Established the NEXT Technology Fund to respond in a timely manner to innovative technological changes

**Africa Strategy**
- Established the Africa Division as our first regional division and streamlined reporting lines
- Accelerated use of local human resources
  - Appointed current CFAO President Richard Bielle as Deputy Chief Division Officer
  - Appointed Toyota Kenya Ltd. Chairman Dennis Awori as a constituent member of CFAO
Investment Cycle

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 detailed feasibility study screening at the Investment and Loan Meeting. At the Investment and Loan Meeting, which I chair, we use our unique TVA (capital efficiency)*1 and RVA (risk income)*2 indicators to quantitatively verify the profit-ability of projects.

In addition, factors such as a fall in tax expenses due to accounting processes based on the assumption of application of the consolidated tax payment system resulted in profit for the year attributable to owners of the parent rising 127.1 billion yen (from a loss in the previous fiscal year), to 107.9 billion yen, thereby achieving a V-shaped recovery and setting a new profit record.

After investing, the Administrative Division and Sales Divisions collaborate in “check and support” activities monitoring based upon BS standards, and we hope to exercise our strength of the Toyotsu Core Values and steadily increase revenue in order to maintain double-digit ROE as well as increase it.

## Revenue and Earnings (IFRS)

<table>
<thead>
<tr>
<th></th>
<th>16/3</th>
<th>17/3</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>612.5</td>
<td>570.8</td>
<td>(41.7)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>82.9</td>
<td>133.6</td>
<td>50.7</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>76.7</td>
<td>140.8</td>
<td>64.1</td>
</tr>
<tr>
<td>Profit (loss) for the year attributable to owners of the parent</td>
<td>(19.2)</td>
<td>107.9</td>
<td>127.1</td>
</tr>
</tbody>
</table>

## Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>16/3</th>
<th>17/3</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest-bearing debt</td>
<td>1,121.6</td>
<td>1,101.9</td>
<td>(19.7)</td>
</tr>
<tr>
<td>Net debt-equity ratio (Net DER) (times)</td>
<td>1.2</td>
<td>1.0</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>(1.8)</td>
<td>10.8</td>
<td>12.6</td>
</tr>
<tr>
<td>Risk asset / Risk buffer</td>
<td>1.0</td>
<td>0.9</td>
<td>(0.1)</td>
</tr>
</tbody>
</table>

*1 An indicator that verifies that a certain revenue scale is achieved corresponding to the invested capital. It is based upon the concept of ROIC.
*2 An indicator that verifies that obtained revenue is appropriate for the risk.
Reinforcing Cash Flow Management

Toyota Tsusho advances its business with an awareness of working capital efficiency, and each Sales Division manages its operating cash flow for investment within upper limits. By doing so, we reinforce cash flow management through to the frontline with the aim of maintaining free cash flow in profit. With the cash created, we reduce interest-bearing debt and provide shareholder returns through dividends as we strive to strengthen cash flow management and establish our financial strength.

Shareholder Returns Policy

Toyota Tsusho’s policy on shareholder returns is based on the existing target of 25% of its consolidated profit before goodwill amortization in accord with its policy of providing stable, ongoing shareholder returns. We take measures for a flexible response to factors such as changes in economic conditions and investment progress. In the fiscal year ended March 31, 2017, the annual dividend value per share increased 8 yen compared with the previous fiscal year, to 70 yen.

In order to meet the dividend expectations of all our shareholders, in accordance with implementation of International Financial Reporting Standards (IFRS), we established a new dividend policy to maintain a stable dividend and increase dividend per share, targeting a consolidated dividend payout ratio of more than 25%, whereby we aim to further enhance our corporate value and increase shareholder returns. For the fiscal year ending March 31, 2018, our plan is for a consolidated dividend ratio of 25% and an annual dividend of 78 yen (8 yen increase), in order to continue providing stable returns to all of our shareholders.

Trend in Dividend Value

To date, Toyota Tsusho has achieved growth through regular large-scale investments such as the merger with Tomen in 2006 and the acquisition of CFAO in 2012. Moving forward, we hope to actively engage in large-scale strategic projects on a companywide basis in order to strengthen our foundation for growth. We will also continue to leverage the investment cycle with the aim of further increasing our corporate value.
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, in itself, corporate management.

Furthermore, in 2016 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) (10 creeds), please see page 16.

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.

In the fiscal year ended March 31, 2017, the CSR Committee was composed of its regular members, with Outside Directors Yoriko Kawaguchi and Kumi Fujisawa and two full-time Audit & Supervisory Board members attending 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
- General Managers of related divisions
- Officer responsible for environment and safety

CSR Committee Agenda for Fiscal 2016
1. Recent CSR trends and Toyota Tsusho's current situation
2. Defensive CSR: Report of activities for the fiscal year ended March 31, 2017
3. Active CSR: CSV model business report from each division
4. CSR activities map for the fiscal year ending March 31, 2018

Main Opinions and Advice
- With the launch of the Africa Division, the NEXT Mobility Development Department, and the NEXT Technology Fund Development Department in April 2017, the concept of CSV has become even more important in management strategy.
- We need to build a business based upon the United Nations Sustainable Development Goals (SDGs) to become more aware not only of customers' needs but also of the needs of society and the planet.
- Defensive CSR is also extremely important. On the other hand, proper handling of personnel strategy and abidance with laws and regulations incorporating society’s needs will also lead into Active CSR.
The Sustainable Development Goals (SDGs), comprised of 17 goals and 169 targets, were proposed in order to eliminate poverty and realize global sustainability as part of “Transforming Our World: the 2030 Agenda for Sustainable Development,” which are global targets that were adopted at the United Nations Summit in September 2015. The SDGs require worldwide action, and corporations are expected to play a leading role.

Important Issues in CSR

Currently, we have selected important issues in three domains of CSR initiatives based upon the Global Vision, considering stakeholder expectations and interest, and Toyota Tsusho’s impact upon the economy, environment, and society. We drive sustainable business activities centered upon these. Furthermore, we also undertake CSR activities with an awareness of our contribution to the SDGs.

Three Domains of CSR Initiatives and Contribution toward Social Issues

Mobility

Business domain that contributes to the realization of a highly convenient society in the future
- Environment and recycling
- Construction of a production and technology foundation

Life & Community

Business domain that contributes to the realization of a comfortable and healthy society
- Response to poverty and famine
- Response to prevention of disease and mortality risks

Resources & Environment

Business domain that contributes to the realization of a sustainable society in the future
- Ecosystem conservation
- Response to climate change
- Environment and recycling

For specific case studies in each field, please refer to the CSR Activities Map on page 32.

Formulation of Our CSR Activities Map

Toyota Tsusho has formulated a map that divides its fields of CSR activities into three areas: a Creating Shared Value (CSV) model for resolving social issues through a business that leverages our strengths; a Corporate Responsibility Execution (Fundamental CSR) model organized under environment, social, and governance themes; and a Social Contribution (Philanthropy) model with the key themes of people (education), the planet (environment), and society (welfare). The CSR Committee revises the CSR Activities Map each year.

SDGs

The Sustainable Development Goals (SDGs), comprised of 17 goals and 169 targets, were proposed in order to eliminate poverty and realize global sustainability as part of “Transforming Our World: the 2030 Agenda for Sustainable Development,” which are global targets that were adopted at the United Nations Summit in September 2015. The SDGs require worldwide action, and corporations are expected to play a leading role.
**CSR Activities Map**

**Creating Shared Value (CSV) Model**

**Life & Community**

Business domain that contributes to the realization of a comfortable and healthy society

Representative examples

- Production of super-absorbent polymers (China and Malaysia)
- Hospital business (India)
- Pharmaceutical and medical equipment sales business (Africa)
- Beverage manufacture and sales business (Congo and Côte d’Ivoire)
- Fertilizer production business (Kenya)
- Fuel cell sales business (Japan)
- Sendai Airport operation business (Japan)
- “Karada Station” health management business (Japan)
- Nursing equipment rental business (Japan)

**Toyotsu Core Values**

- **Genba-focus**
  The power to add value on-site

- **Collective force**
  The power to unite individual talents

- **Innovator spirit**
  The power to create something unique to us

**Corporate Responsibility Execution (Fundamental CSR) Model**

- Promotion of environmental management
- Construction of a global environmental management system
- Reduction of environmental accidents
The businesses and initiatives listed below are representative examples. For details on CSV model businesses, please see the Our Initiatives section under the respective Sales Divisions from Page 44 onward. For details on initiatives under the Corporate Responsibility Execution model and the Social Contribution (Philanthropy) model, please see the ESG section from Page 70 onward.

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**CSR Activities Map**

**Creating Shared Value (CSV) Model**

- Global human resources system and organization of global grade system
- Diversity of human resources
- Respect for human rights
- Promotion of labor safety and health
- Supply-chain CSR management

**Corporate Responsibility Execution (Fundamental CSR) Model**

- Reinforcement of corporate governance system
- Formulation and instilling of Global Code of Conduct & Ethics (COCE)
- Organization and operation of internal control systems
- Risk management centered on ERM Committee
- Promotion of business continuity management (BCM)
- Information security management
- Enforcement of fair competition and trade

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**Resources & Environment**

**Business domain that contributes to the realization of a sustainable society in the future**

**Representative examples**

- Metal resource recycling solution business (each country)
- Renewable energy business (each country)
- Management of energy-efficient container data center (Laos)
- Natural gas-fired electric power business (North America)
- Iodine development and production business (Chile)
- Geothermal power plant business (Kenya)
- Promotion of carbon fiber recycle business (Japan)
- Bluefin tuna cultivation business (Japan)

**Mobility**

**Business domain that contributes to the realization of a highly convenient society in the future**

**Representative examples**

- Environmentally considerate molten aluminum business (each country)
- Technopark business (each country)
- Provision of circulation-model total service including production, new car sales, after-sales service, used cars, and recycling (each country)
- Autonomous truck driving and platooning test business (Japan and Singapore)

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**Social Contribution (Philanthropy) Model**

**People (education)**

- Toyota Tsusho Corporation Study Abroad Scholarship system
- Plant visit for social studies by students from Japanese school in Russia

**The Planet (environment)**

- Kamikawa no Sato’s Revitalization Project

**Society (welfare)**

- Support for the Wheelchair Twin Basketball Tournament
- Support for the Japan Service Dog Association
- Great East Japan Earthquake recovery support
Accelerating Future Responses to Next-generation Vehicles and Cutting-edge Technologies

New Initiatives to Address the Innovations of the Next Forms of Mobility

Companywide, cross-functional specialized organization established to prepare for the transformation of the automobile industry

The automobile industry is currently undergoing a once-in-a-century period of transformation. In conjunction with technological innovations, including image recognition technology, the Internet of Things (IoT), and artificial intelligence (AI), it is possible to use sensors to acquire various data, such as information about other vehicles and on nearby road conditions, and as a result, rapid advances are being made in the practical application of advanced safety technologies and automated driving technologies. At the same time, hybrid vehicles, plug-in hybrid vehicles (PHVs), and electric vehicles (EVs) are becoming more commonplace, and lighter materials are being used in automobile bodies with aluminum, carbon fiber, and resin starting to become prominent as replacements for steel with the aim of improving environmental performance. These major changes are all taking place at the same time, and the value and ideal of automobiles are about to enter a new era.

While these changes represent a threat to Toyota Tsusho, which has positioned the Mobility domain as a core domain, they are also accelerating responses to next-generation vehicles and cutting-edge technologies. Toyota Tsusho has established a new specialized organization to prepare for the transformation of the automobile industry.

Next Mobility Development Structure

Executive Vice President / CTO
Executive Officer (Full-time)

NEXT Technology Fund Department
- Identify and develop in a timely manner new technologies and services that will drive future business
- 7 members (including members with other duties)

NEXT Mobility Development Department
- 10 members
- Materials replacement and recycling
- Next-generation vehicle services
- EV components
- Smart factories

Metals Division
- NEXT Mobility Metal Group
- 9 members

Global Parts & Logistics Division
- NEXT Mobility Parts and Materials Group
- 14 members

Automotive Division
- NEXT Mobility Marketing & Service Group
- 9 members

Machinery, Energy & Project Division
- NEXT Mobility Machinery Business Department
- 15 members

Chemicals & Electronics Division
- NEXT Mobility Electronics Business Development Department
- NEXT Mobility Chemical Material Department
- 86 members

Food & Consumer Services Division
- NEXT Life Innovation Team
- 5 members

IT Strategy
- Oversight of overseas business

Note: An Executive Officer serves as the leader of each working group.
Toyota Tsusho will commit companywide knowledge and take on the challenges of new business to achieve the next generation of growth.

Soichiro Matsudaira
Member of Board,
Executive Vice President,
Chief Technology Officer (CTO)

opportunities to definitively expand business even further than in the past. To focus on future generations and prepare for rapid responses to change, in April 2017 we reviewed organizations and established the NEXT Mobility Development Department under the authority of an Executive Vice President and the CTO as a company-wide, cross-functional specialized organization.

Toyota Tsusho’s Next Mobility Development Structure
The NEXT Mobility Development Department will carry out companywide next mobility activities and develop and execute business relating to next-generation vehicles in areas that go beyond the products divisions. As a cross-functional project, the department will establish working groups for each activity topic, and an executive officer will serve as leader and provide guidance. The four activity topics that the department will address are materials replacement and recycling, which will cover weight reduction, new materials, and the battery materials business; next-generation vehicle services, which includes autonomous driving in advanced safety technologies and promoting the introduction of next-generation vehicles; EV components, which covers electric power supply and storage using renewable energy, infrastructure development, and supply of electronic parts and components for EVs, PHVs, and fuel cell vehicles; and smart factories, which will seek to create a plant IoT, including higher productivity through plant visualization and predictive maintenance as well as advanced network security. The working groups will be rearranged and new groups may be formed according to the activity topics and items. In addition, specialized organizations will be established in relevant products divisions and will collaborate with the working groups to develop business. As a result of the creation of this organizational structure, the NEXT Mobility Development Department, working groups, product division specialized organizations, and other groups can collaborate to enable integrated measures and make maximum use of our business assets and knowledge as a general trading company that is active in a wide range of business fields.

New Initiatives Regarding Cutting-edge Technological Innovations

NEXT Technology Fund Created and NEXT Technology Fund Department Established
Toyota Tsusho established the NEXT Technology Fund in April 2017 to make more dynamic investments in innovative technologies, patents, and new services, not just in the automotive segment but in all areas where the company conducts business, so that we can respond promptly to innovative technological changes and to foster the seeds of growth that will drive the next generation of the company. The NEXT Technology Fund Department, which will perform administrative functions for the fund, was also established. An investment framework was created, and speedy investment decisions are made through deliberations by three officers, with the CTO serving as chairperson.

Under a dynamic and companywide, cross-functional specialized organizational structure, Toyota Tsusho is combining its unique strengths to take on the challenges of technological innovation and new business and provide new added value.
Current D&I Trends and Issues at Toyota Tsusho

**Nagai:** Toyota Tsusho accelerated the expansion of its overseas business operations in tandem with the globalization of the Toyota Group. Furthermore, the company has been enhancing diversity within its corporate culture and increasing the degree of nationality diversity within its ranks. This includes the 2012 acquisition of CFAO, a French trading company that operates a wide range of businesses, engaging mainly in automobile sales in Africa. Reflecting this, the company issued a diversity and inclusion (D&I) declaration in 2014 positioning it as one of its management strategies. Toyota Tsusho defines D&I as respect for and acceptance of various “differences” and the active use of these differences to optimally address a constantly changing business environment and diversifying customer needs to build up the overall competitive edge of the Toyota Tsusho Group. The company believes that D&I is an essential component for achieving its Global Vision.

**Fujisawa:** I agree. I believe that “global” means diversification. There was a time in Japan when global was interpreted to mean “Western values”, but that is simply not the case. While attending a United Nations’ conference, I witnessed firsthand people who speak different languages come together to discuss and decide on global rules in a multilingual environment. I genuinely believe this is what it means to be global. The true connotation of the word is people with a diverse set of values participating together in various global initiatives and the acceptance of this diversity.

**Nagai:** We have implemented reforms to workstyles and our human resources system to promote D&I. Thus far, we have trained employees in Japan and aboard to become global personnel, and promoted active roles for women and seniors. These measures are being implemented, as they are essential for sustaining the growth of Toyota Tsusho, and not due to forecasts of a significant decline in the working-age population or owing to government requirements to revise workstyles. It is for that reason we have positioned...
these D&I measures as a part of our overall management strategy and are promoting D&I as an initiative of great importance.

**Fujisawa:** While the diversity of participants is important, the diversification of the talents of each individual employee is also important. In other words, a company needs to see to what extent it can nurture the talents of its individual employees and whether it can create an environment conducive to fostering capabilities. I believe the end result is that it contributes to a company’s growth.

**Nagai:** I believe what you said is true. Japanese employees working overseas tend to only associate and work with other Japanese. It is a familiar story. Over the past few years, we have been asking Japanese employees posted overseas to refrain from holding meetings that only include Japanese employees. There was some debate as to whether the company should be giving such detailed orders. However, unless we take thorough and painstaking steps, change does not easily come.

**Fujisawa:** Employees will not get a clear grasp of what they need to do if you only convey ideas and concepts. I think an effective approach is to present specific daily actions. It would be ideal if D&I could be achieved in no time by repeatedly implementing certain actions. Creating closer relationships with local employees will change the volume and quality of information that comes in from overseas. I believe this will ultimately lower business risks and open doors to business opportunities.

**Nagai:** I think that globalized management in the truest sense is when the information you obtain can be used to gain a competitive edge by launching a business that originates outside of Japan and expanding that business worldwide. The Toyota Tsusho Group has not reached this stage yet. Local management and operational procedures are for the most part still done Japanese style. The management team strongly realizes that this must be changed. For example, directors and employees from overseas units are participating in the development of the Global Vision and Mid-term Business Plan.

**Fujisawa:** I also attended the meeting on the development of the Global Vision, and remember local employees participating from overseas providing their opinions. These local employees had a reason for choosing to work at a company that is headquartered in Japan. I felt they understand and are seeking a corporate philosophy that Japanese are starting to forget. We need to take a look at these values once more. I think that if we can share these values throughout the company, we can leverage these values as being a strength unique to a Japanese company.
Training Global Leaders

**Nagai:** One of the key roles of a leader is to draw out an employee’s capabilities. Before, companies required employees to have the ability to accurately and quickly replicate an already established business model in different regions or business domains. At present, I think that a facilitation style of leadership is required, particularly globally, to promote employee autonomy and self-reliance, and, ultimately, reforms. What do you think?

**Fujisawa:** Owing to the fast pace of changes today, there is a risk that micromanagement will not keep pace with changes in the environment. Even if a top-down approach is taken to create a corporate vision and direction, the company has to create an environment in which employees in the field can make decisions and act independently to execute strategies and tactics. For this reason, we need to push forward with the delegation of authority. It will then become the role of the global leader to manage potential risks expected to arise from the delegation of authority or decision-making. In light of this, global leaders need to commit to making sure everyone understands and shares in the corporate vision, which is a guideline to proper decision-making.

**Nagai:** Yes, you are correct. And at the same time, global leaders need to have an identity that embodies the Toyota Tsusho Group’s sense of values, which is that safety and compliance are the cornerstones for all work. This is what it takes to adeptly employ diversity practices.

I believe human resources development in the field is key to sharing and instilling this sense of values. Accordingly, employees should be properly evaluated, their salary and benefits should be based on the results of the evaluation, and then employees should be reassigned to new positions. From 2013, we began selecting candidates with a particularly high level of potential from group companies around the world. The candidates are being trained to become members of global management. People grow the most and gain experience when they are put in a position in which they must reach for higher goals. We are actively assigning employees to such positions.

However, at present, these actions are not sufficient and we will need to expand them going forward. I want to establish global standards for grades, qualifications, and evaluations to provide promising personnel worldwide opportunities for improvement. This is my next challenge.

**Fujisawa:** This will give employees in Japan and abroad the opportunity to play an active role. Naturally this will boost motivation among employees. However, with increasing diversity, it is important that performance reviews be more transparent and accountable so that each employee will feel his or her job is worthwhile. Once the number of employees with different sets of values increases, those matters that did not require much explanation for Japanese employees are likely to trigger heightened discontent if there is a lack of transparency in the performance evaluation approach and system.

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**Kumi Fujisawa**

After working at investment management companies, Ms. Fujisawa founded an investment trust evaluation company in 1996. In 2000, she participated in establishing SophiaBank, and currently serves as its representative director. She was nominated to a member of Young Global Leaders in 2017 and Global Agenda Council in 2018 by World Economic Forum. She concurrently holds posts at public offices, including as a committee member of several government ministries and director of the Japan Securities Dealers Association.

Potentially able to clarify Toyota Tsusho’s strengths as a Japanese company by drawing out the capabilities of overseas employees
Without strong individuality that is revered by the market, there will be no progress in D&I measures that leverage such individuality.