Three Years Management Plan (FY2019 to FY2021)

May 8, 2019
Toyota Tsusho Corporation
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   (1) African Growth Strategy
   (2) Next Mobility Strategy
   (3) Renewable Energy Strategy

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1. Priority Areas

(1) African Growth Strategy
(2) Next Mobility Strategy
(3) Renewable Energy Strategy
(1) African Growth Strategy
~Strengthening TOYOTA Business through Six Pillars~

Strengthen TOYOTA business in Africa based on six pillars

① Strengthen Product Lineup
② Build KD (Knock-Down) Business
③ Optimize Supply Network
④ Strengthen Total Fleet Management (B2B)
⑤ Strengthen TOYOTA Operations (B2C)
⑥ Expand Value Chain

Image of targets of handling units
(Unit: thousand units)

Targeting sales volume growth of at least twice
Africa’s combined GDP growth rate
(1) African Growth Strategy ~Six Pillars~

① Strengthen Product Lineup

Vastly strengthen compact car lineup, capitalizing on alliances with TOYOTA and SUZUKI

- SUZUKI models supplied in India on OEM basis
  - Baleno
  - Vitara Brezza
  - Ciaz
  - Ertiga

Strengthen Pickup/SUV

- Hilux, Land Cruiser, etc.

Introduce special-edition models for Africa

- Strengthen model life management

TOYOTA Hilux GR-S limited-edition model
(1) African Growth Strategy ~Six Pillars~

② Build KD (Knock-Down) Business

Expand small-scale assembly operations across Africa

Flexibly determine assembly format, scale of production, and investment criteria in market size and government support in each country

Assembly plant in Kenya
(1) African Growth Strategy ~Six Pillars~

③ Optimize Supply Network

Increase vehicle supply efficiency
- Concentrate inventories in three locations (Europe, Dubai, South Africa)
- Shorten delivery times, strengthen body mounting and conversion

Increase parts/components supply efficiency
- Concentrate inventories in two locations (Europe, South Africa)
- Conduct activities to increase supply efficiency and shorten delivery times

Expand and increase efficiency of sales network
- Increase 3S new-vehicle dealerships and certified 2S/1S dealerships
※3S: Sales, Service, Spare parts management

Supply Network “Covered throughout Africa”
(1) African Growth Strategy ~Six Pillars~
④ Strengthen Total Fleet Management (B2B)

Roll out detailed services for fleet customers based on customer to maximize retention and capture new fleets

TOYOTA fleet event (South Africa)

Customized pickup for fleet customers

Maintenance package for fleet customers
(1) African Growth Strategy ~Six Pillars~

⑤ Strengthen TOYOTA Operations (B2C)

Provide suitable quality service to customers at every stage of vehicle ownership cycle

- Improve showrooms and facilities
- Improve websites
- Shorten vehicle delivery lead times, etc.

- Trade-ins, re-leasing
- Maintain and utilize customer database

- CRM activities※
- Service improvement activities
- Maintain digital tools, etc.

※ CRM activities : Customer Relationship Management activities
(1) African Growth Strategy ~Six Pillars~

6. Expand Value Chain

Conduct branding activities to capture future new vehicle buyers through value chain expansion.

- **AUTOMARK dealership**
  (Certified Toyota used vehicle sales)

- **General-purpose parts/consumables stocked**
  (Mainly manufactured by TOYOTA Group)

- **AutoFast service station**
  (Automotive maintenance JV with TOTAL)

- **Leasing business with LOXEA**
TICAD7 (The Seventh Tokyo International Conference on African Development)

< Summary of discussion (Plan )>

- Economic transformation and improvements in business environment and institution through private investment and innovation
- Promotion of resilient and sustainable society for human security
- Peace and stability (support for Africa’s own proactive efforts)

Our position and role

- Chair of Committee on Sub-Saharan Africa at Japan Federation of Economic Organizations
- Chairman of Africa-Japan Relations Committee at Japan Association of Corporate Executives

With Africa, For Africa

With Spirits of “With Africa, For Africa”, continue active involvement in TICAD7
(2) Next Mobility Strategy

~Action Plan~

Build new business models that enable sustained growth in next-generation mobility domain

1. Respond to accelerated migration to EVs

2. Create new business opportunities

Vehicle lifecycle

- Replacement of materials
- Next-generation services
- Energy management

Vehicle lifecycle:
- Development/Production
- Use/Service
- Reuse

Replace of materials

TOYOTA TSUSHO CORPORATION
(2) Next Mobility Strategy

① Respond to Accelerated Migration to EVs ~Replacement of Materials~

- Growing demand for electric vehicles
- Replacement of materials

In-house production of new technologies

Chinese Auto Market

- World’s biggest market
  CY2019 demand: 28 million vehicles (flat YoY)
- Favorable prospects of major growth in new energy vehicles (PHV, EV, FCV) sales
  CY2018: 1.25 million → CY2019: 1.60 million vehicles

Step up initiatives in China, an advanced country in terms of electro-mobility, in addition to Japan

Source: MarkLines

In-house production of new technologies e.g.) motor processing technologies

Make die/molds in-house and manufacture motor cores
Use motor cores in various models of motor
(2) Next Mobility Strategy

② Create New Business Opportunities

~Next-Generation Services & Energy Management~

Next-generation services

- Expand mobility services domain

Build out infrastructure that will form foundation of future mobility services
- e.g.) wireless delivery of software updates

Energy management

- Need for used-battery reuse in conjunction with growth in new energy vehicles
- Growth in demand for clean energy

Combine 3Rs (Rebuild, Reuse, Recycle) of batteries with renewable energy

Leverage strengths to create new markets instead of only accessing markets with promising growth prospects

Over The Air

3R: Rebuild, reuse, recycle

Storage batteries (reuse)

V2G (Nuvve)

Supply-demand balancing market

VPP aggregation
(3) Renewable Energy Strategy

Accelerate Global Expansion, Challenge into New Business Domains

① Accelerate global expansion
- Accelerate initiatives in countries where use of renewable energy is undeveloped
- Accumulate projects as an earnings foundation

② Challenge into new business domains
- Lay groundwork for new growth, new earnings sources
- Prepare for post-FIT, build know-how

Terrestrial wind power, solar power

Micro hydro, Biomass, Offshore wind power, VPP business

Expansion of scale in the future

New markets

Existing markets
(3) Renewable Energy Strategy

① Accelerate Global Expansion

Accumulating knowledge on renewable power generation in the East to expand to the West.

Expanding stable renewable energy in Africa and other new regions.

As of the end of March, 2019.
(3) Renewable Energy Strategy

② Challenge into New Business Domains

- Create (power generation)
- Store
- Regulate (supply-demand balancing)

- Securing "stable and inexpensive" power sources
  - Micro hydro power generation business
- Establishment of new offshore wind power law and environmental improvement
  - Offshore wind power business

Create new businesses that complement renewable energy and add more value
- VPP business
- Battery-storage power transmission business

Creating new businesses in “Store” and “Regulate” not just in “create”
2. Globalization and Digitalization
<Globalization> Promoting the Three Globalization

- Incorporate region-based market needs in business creation
- Especially strengthen activities in Africa, China, and India

Promotion of global Diversity & Inclusion and cultivation of human resources
- Foster a cultural climate that respects diverse values
- Cultivate and appoint human resources who can put their skills to use globally

Promotion of delegation of authority
- Establish bases of governance within subsidiaries and establish autonomy and self-reliance ➜ Accelerate delegation of authority

Aiming to create "Business" in overseas regions through "Human Resource Development" and “Creation of Framework"
Creating Framework for Digital Transformation

Internal reforms

1. Digitalize value chain (increase operational added-value)
2. Automate internal business processes (increase operational productivity)
3. Strengthen digital DNA (organization and human resources)

Customer value enhancement

3. Create new businesses/innovations
4. Reform existing business models

Planning to invest approx. 20 billion yen in digital transformation over next three years
Positioning Digitalization and Globalization in Our Management Strategy

Key Issues for Resolving Social Issues
- CSR
- Materiality

Company Vision 「Be the Right ONE」

What it means to “Be the Right ONE”:
Becoming a company in which each person in his or her own job, while cherishing one’s own values, aims to be “(I am) the one and only (who can do it)”, and then organically gathering all of such to become “(we are) the one and only (who can do it)”

Priority Areas
- African Growth Strategy
- Next Mobility Strategy
- Renewable Energy Strategy

Four Measures for Supporting a Distinctively Toyotsu Group Surge
- Nurture further growth in established lines of business
- Nurture regional business proposals hatched locally
- Promote global Diversity & Inclusion
- Respond to technological progress

Toyotsu Group Way
- On site, hands on, in touch
- A passion for business
- Team power

Accelerate "measures" by promoting "Globalization" and “Digitalization” while valuing "Toyotsu Group Way"
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 CO₂ 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.

Solving social issues and connect them to our business.
3. Financial Policies & Quantitative Targets of FY2021
### Cash Flows Over Past Three Years (FY2016-18)

<table>
<thead>
<tr>
<th></th>
<th>Operating CF</th>
<th>Investing CF</th>
<th>Dividends</th>
<th>FCF after dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>+585.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2017</td>
<td>-410.2</td>
<td></td>
<td>-92.6</td>
<td>+135.5</td>
</tr>
<tr>
<td>FY2018</td>
<td></td>
<td>+52.7</td>
<td></td>
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</tr>
</tbody>
</table>

### Mid-Term Business Plan (FY2019-21)

<table>
<thead>
<tr>
<th></th>
<th>Operating CF</th>
<th>Investing CF</th>
<th>Dividends</th>
<th>FCF after dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>+600.0~</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2020</td>
<td>-450.0~</td>
<td>-130.0~</td>
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</tbody>
</table>

### Financial Soundness

- Net D/E ratio: ≤ 1.0
- Risk assets/Risk buffer: < 1.0

### Investment Policies

- Keep investment within bounds of operating CF

### Dividend Policy

- Dividend payout ratio of 25% or more as a basic policy
- We will endeavor to maintain a stable dividend

Establish stable financial foundation and maintain appropriate balance between growth investments and shareholder returns

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(Unit: Billion yen)
Along with the expected continued earnings growth and dividend increase, bear in mind the business operations with an awareness of capital efficiency.
Amount of Investment in Three Domains

Target Period: FY2019～FY2021 for three years

**Mobility**
- Amount of Investment: 170～
- Focus Areas:
  - Automotive Sales & Services
  - Automotive Production & relative business to correspond to Next Mobility

**Resources & Environment**
- Amount of Investment: 210～
- Focus Areas:
  - Renewable energy
  - Metal recycling
  - End-of-life vehicle business

**Life & Community**
- Amount of Investment: 70～
- Focus Areas:
  - Pharmaceuticals & Medical supplies
  - Residences
  - Overseas infrastructure

(Unit: Billion yen)
4. Supplementary Material
Member of the board
After June, 2019 Ordinary General Meeting of Shareholders

7 Inside Directors

Jun Karube  
Chairman

Ichiro Kashitani  
President & CEO

Minoru Murata  
Vice President  
CTO

Hideki Yanase  
Vice President

Yasuhiro Nagai  
CCO/CAO

Hiroshi Tominaga  
CSO/CIO  
Assistant to CTO

Hideyuki Iwamoto  
CFO

4 Outside Directors

Yoriko Kawaguchi

Kumi Fujisawa

Kunihito Koumoto

Didier Leroy

Directors : 11

Ratio of Outside Directors : 36.4%

Companywide Management Structure

I. Streamline the management structure
II. Improve the quality of decision-making relating to management
III. Appoint young human resources as Top Management Members
IV. Respond to globalization
Change of Member of The Board

<table>
<thead>
<tr>
<th>Year</th>
<th>Inside Director</th>
<th>Outside Director</th>
<th>Number of Directors</th>
<th>Ratio of Outside Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>16</td>
<td></td>
<td>16</td>
<td>18.8%</td>
</tr>
<tr>
<td>FY2017</td>
<td>12</td>
<td></td>
<td>12</td>
<td>25.0%</td>
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<tr>
<td>FY2018</td>
<td>12</td>
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<td>12</td>
<td>33.3%</td>
</tr>
<tr>
<td>FY2019</td>
<td>11</td>
<td></td>
<td></td>
<td>36.4%</td>
</tr>
</tbody>
</table>
Basic Risk Management Policy

Basic risk management policy

1) Keep total risk within risk-bearing capacity
   Risk Assets (RA) \leq Risk Buffer (RB^{*1})

2) Earn returns commensurate with risk
   \text{RVA}^{*2} > 0 \quad \text{(after-tax ordinary income - RA \times 10\%)}

*1: RB = \text{Shareholders' equity + Other components of capital + Reserve for doubtful accounts Me (flow) - goodwill}

*2: RVA (Risk Adjusted Value Added)

\text{\textless FY2018\textgreater} \quad \text{(Preliminary basis)}

\begin{array}{|c|c|}
\hline
\text{RA} & \text{RB} \\
\hline
\text{Approx. 910.0} & \text{Approx. 1,160.0} \\
\hline
\end{array}

\text{RA : RB ratio} \Rightarrow 0.8 : 1

\text{(Reference) Last year} \Rightarrow 0.8 : 1

\text{RVA} > 0
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