

To Our Stakeholders



JUNZO SHIMIZU
President

Under the new management vision and long-term business plan, Toyota Tsusho was more successful in fiscal 2007 than originally expected in achieving one of its most important goals: bringing its personnel—its greatest asset—together. I want to make fiscal 2008, the second post-merger year, a period for sowing the seeds of businesses that will drive future growth.

In April 2006, Toyota Tsusho Corporation and Tomen Corporation marked a new beginning by merging to form the new Toyota Tsusho. In the first year, we implemented various integration measures across the Company and in each Head Office business division, so as to maximize synergies from the merger. Through these measures, we have been more successful than originally expected in bringing personnel together. Employees have been forming bonds of trust based on mutual respect and the willingness to learn from one another. Underscoring this success is the strong recognition we have received from third-party organizations specializing in human resources.

Under our new Group slogan, "G'VALUE with you," all executives and employees of the Toyota Tsusho Group have been working to reinforce functions and build up expertise to create new forms of value. They are all strongly motivated and are pursuing ambitious goals. These and other efforts have helped us control costs and expand business synergies in line with our initial expectations.

First-year Post-merger Performance Eclipses Plan

In fiscal 2007, the year ended March 31, 2007, economic growth in Japan and the rest of the world was strong overall. Japan's economy continued to grow at a steady pace, mainly driven by expanding private-sector capital investment underpinned by strong corporate earnings and firm consumer spending reflecting an improving employment picture and increases in personal income. Japan's economy has continued to expand since February 2002.

Turning to the global economy, there were heightened concerns over a possible slowdown in the U.S. economy in the summer of 2006 against the backdrop of a downturn in housing investment. Despite this, the U.S. continued to experience economic growth, supported by lower crude oil prices and strong export growth. The European economy continued to expand at a gradual pace, mainly due to stronger internal demand, highlighted by higher capital expenditures in Germany in response to strong production and accelerated growth in the U.K., particularly in the services sector. China and other Asian economies continued to experience overall growth, mainly fueled by strong export demand and another year of double-digit economic expansion in China on the back of strong investment. These factors made up for weaker internal demand in some countries and regions due to persistently high crude oil prices at the beginning of fiscal 2007.

In the auto industry, one of our primary sources of earnings, automobile sales remained weak in Japan, where improving economic conditions did not translate into better sales. However, automobile demand expanded at a steady pace in Europe, including Russia and Eastern Europe, in China and elsewhere in Asia. Combined with a higher market share in North America, Japanese automakers achieved record global automobile sales in fiscal 2007 for the second year running. Notably, the Toyota Group, the Company's largest customer, posted steady growth, with both annual global automobile production and sales surpassing 9 million vehicles for the first time. This record performance was supported by strong sales overseas, particularly in North America and Europe.

In this operating climate, the Toyota Tsusho Group increased its handling of metals, synthetic resins, automotive interior materials, and components for the auto industry and other products. The Group also posted steady growth in automobile sales in various overseas countries and regions. Furthermore, we captured synergies with Tomen Corporation earlier than expected and benefited from surging crude oil prices and higher non-ferrous metals and other raw materials prices. Consequently, net income was a record ¥77.2 billion, exceeding both our initial forecast of ¥57.0 billion and our revised forecast of ¥72.0 billion announced during the interim period.

Future Growth Strategy: VISION 2015 and Long-term Business Plan

The Toyota Tsusho Group formulated VISION 2015—LEAD THE NEXT in conjunction with the 2006 merger to clearly articulate the Company's new goals and vision for the following 10 years. This vision will guide our efforts to enhance our earnings composition and maximize synergies between the merged companies. We will do this by further reinforcing

Long-term Policy

Reinforce the development of our core business on a global basis.

Maintain our highest financial strength and profitability in our industry.

and expanding our current core business in the automotive field, which accounts for 80% of earnings, while developing businesses in non-automotive fields into second and third earnings streams. We believe that realizing this vision is a precondition for overcoming various changes in our business environment that surely lie ahead. It is also vital to ensuring that stakeholders can continue to count on the Toyota Tsusho Group to deliver sustained growth well into the future—10 years and 20 years from now—and to satisfy their expectations.

Long-term Business Plan

Toyota Tsusho has formulated a long-term business plan that is updated every year on a revolving basis to set forth milestones for achieving its management vision. This plan contains five-year numerical targets and specific management and business initiatives for the next two years. In more specific terms, the plan's current five-year numerical targets for fiscal 2012 are operating income of ¥230.0 billion and net income of ¥130.0 billion and to achieve a ratio of earnings from automotive and non-automotive fields of 64:36, respectively, compared with 80:20 in fiscal 2007. This will be our first milestone on our way to achieving our 50:50 target by 2015.

We will endeavor to achieve these numerical targets by taking the following four initiatives. First, we will develop and reinforce Toyota Tsusho's functions in automobile production and sales, which are growing at an increasingly rapid pace overseas. Second, we will focus on priority businesses in non-automotive fields. This will entail enhancing business planning and support systems and promoting investment aimed at creating new businesses in priority fields. Third, we will pursue merger synergies on a global scale. Finally, we will strengthen our hand in newly emerging markets especially in the BRIC countries, Central Asia and Central and South America. Each business segment will execute concrete business and investment plans formulated to reflect these four initiatives.

Fiscal 2008 Plan: Sowing the Seeds of Further Growth

Under this new management vision and long-term business plan, Toyota Tsusho was more successful in fiscal 2007 than originally expected in achieving one of its most important goals: bringing its personnel—its greatest asset—together. I want to make fiscal 2008, the second post-merger year, a period for sowing the seeds of businesses that will drive future growth. Efforts will focus in particular on sowing as many seeds as possible in the energy and chemicals, textiles and interior materials, and other areas that promise synergies with the automotive field. The produce and foodstuffs domain, which is becoming even more closely tied to the automotive field in areas such as plant-derived biofuels and bioplastics, is another prime target. However, I also intend to focus on more than just non-automotive fields. I want to carefully examine whether our current core business in the automotive field can truly grasp customer needs and requests, and take actions to maximize customer satisfaction. Creating enhanced added value by directly resolving any issues identified is another means of sowing the seeds of future growth.

There are several uncertainties in our operating climate in fiscal 2008, including persistently high crude oil and other energy and raw materials prices. Concerns over a possible slowdown in the U.S. economy triggered by the sub-prime loan issue are also emerging. However, the global economy is projected to grow steadily overall, supported by growth in Europe, where new governments in the U.K. and France have made a steady start; and continued economic expansion in China, Russia and other countries. In light of these and other factors, Toyota Tsusho is forecasting net sales of ¥6,800.0 billion, up 9.5% year-on-year. Likewise, operating income is projected to rise 20.0% to ¥132.0 billion. However, we expect net income to drop 15.8% to ¥65.0 billion from fiscal 2007 when there was a reduction in non-consolidated income taxes due to the merger.

Returning Profits to Shareholders

Toyota Tsusho is now executing a long-term business plan geared toward realizing its management vision. Investment plans and other aspects of this plan were formulated from scratch, after re-examining the new company's business portfolio. I want to stress to shareholders above anything else that this plan aims to enhance corporate value by driving much higher growth than the moderate levels we would achieve by continuing as we have in the past. We will therefore need to make substantial investments in our growth for some time.

On the other hand, we recognize the importance of returning earnings to shareholders every fiscal year. While ensuring we retained the necessary funds for investing in growth and building a stronger financial base, we increased the annual dividend applicable to fiscal 2007 by ¥8 per share to ¥26 per share.

CSR Activities

Toyota Tsusho sees CSR, not as a special undertaking, but as an integral part of all corporate activities. Guided by this thinking, the CSR Committee, which I chair, is playing a key role in overseeing compliance and environmental protection initiatives from management and business perspectives. Separately, improving safety and quality and giving consideration to the environment are becoming increasingly important issues in line with the growing sophistication and complexity of the processing, assembly, manufacturing and other functions that we offer. This is all the more significant when considering that Toyota Tsusho is a member of the Toyota Group, whose operations revolve around manufacturing. With this in mind, the Global Production *Kaizen* Department was established in 2006 to enhance safety and quality, particularly in fields involving production. This department is developing personnel specializing in improving safety and environmental factors and promoting related measures at their respective frontlines, in addition to providing onsite instruction at group companies in Japan and overseas.

Going forward, Toyota Tsusho intends to build unwavering bonds of trust with all stakeholders through the strong commitment to CSR of all senior executives, including me. Encouraging each and every employee to share knowledge and band together to harness teamwork will be just as important. By achieving our ambitions and enjoying successes together with all stakeholders, Toyota Tsusho will work to become an even more valued member of society.

In Closing

I would like to take this opportunity to express my gratitude to all stakeholders for their strong support for Toyota Tsusho and for offering their diverse views and comments on the Company's management and businesses. Your continued understanding and support is vital to achieving our goals.

June 2007



Junzo Shimizu
President