

Interview with the President



How We Define Value
Driven by Manufacturing Fundamentals

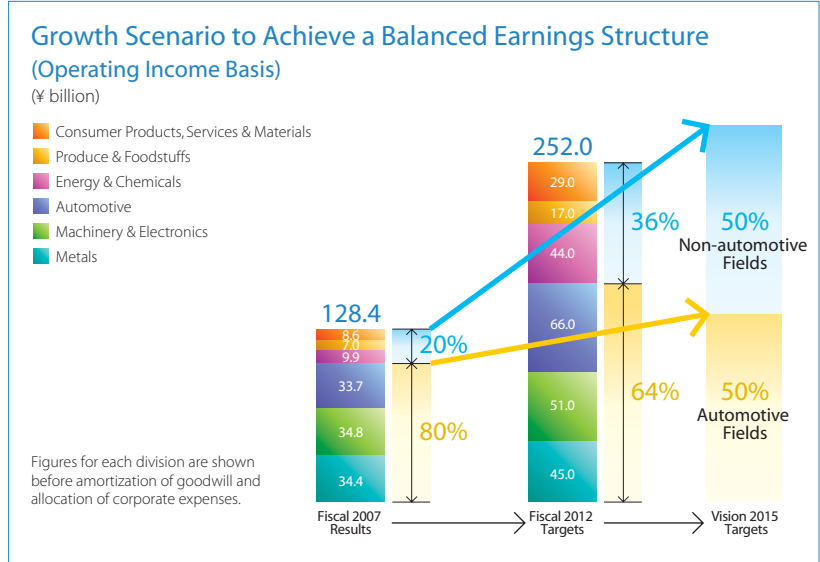
Question:

Toyota Tsusho aims to generate an equal share of earnings from the automotive and non-automotive fields by 2015. However, the Company's strong performance in the automotive field in fiscal 2007 seems to have again pushed up the ratio of earnings from the automotive field. What progress have you made in building a more balanced business portfolio? What issues lie ahead?

Answer:

In conjunction with the merger, the new Toyota Tsusho reformulated its corporate philosophy, vision and other fundamental principles. During this process, one major goal we established is to create a more balanced earnings structure. Actually, the pre-merger Toyota Tsusho pursued the same goal of improving the balance between the automotive and non-automotive fields in its 5-Year Business Plan established in 2000. While it achieved the absolute earnings targets of this plan in each respective field in 2005, higher-than-targeted growth in the automotive field meant there was no improvement in the balance of earnings. Recently, whereas the automotive field has been growing at around 20% annually, other fields have experienced annual growth of only between 5% and 10%. Although this pace of growth would be satisfactory for each business, it meant that the gap in earnings between the two fields widened in fiscal 2007—from the pre-merger ratio of 65:35 based on a simple sum of the merged companies to 80:20.

It will be difficult to raise the share of earnings from non-automotive fields in the next one to two years. However, I've been saying internally that while the automotive field continues to deliver strong growth, we must not miss the opportunity to identify various investment projects in non-automotive fields. In essence, I want to sow many more seeds of new businesses. These seeds will not bear fruit immediately. Nevertheless, as we head toward 2015, I've been calling on everyone to search for "fertile soil" in which to plant them.



We've already identified potential investment projects worth around ¥100.0 billion in non-automotive fields from fiscal 2008 to fiscal 2009. This is quite significant for Toyota Tsusho, considering that investments in this field have typically been on the order of only ¥10.0 billion to ¥15.0 billion annually. I feel that this is the outcome of a change in the mindset of Toyota Tsusho staff. Employees realize that we cannot remain dependent on the automotive field. If investment projects continue to emerge at this pace, I believe that raising the ratio of earnings from non-automotive fields to 50% is distinctly possible. Before, we hadn't even identified the seeds to sow. Now, I feel we have good ideas of how to expand the business.

Question:

Could you please be more specific about those investment projects and post-integration synergies?

Answer:



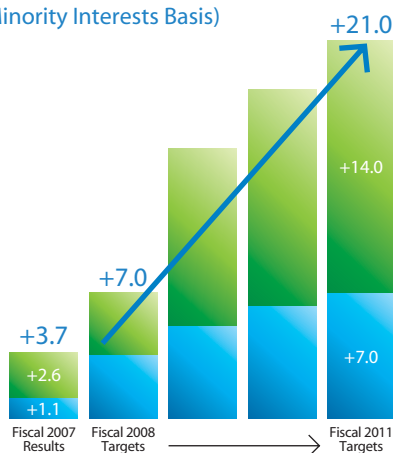
It is still early, but I feel we are making real progress with identifying investment projects. One promising domain is energy, especially natural gas. We're already discussing several projects and have established contacts with people at companies with experience in this domain. The task now is to work on the details of each of these projects. Separately, the textile departments have forged equity-based alliances with manufacturers with a first-rate track record in specific product domains and have begun building new value chains.

The textiles and the produce and foodstuffs domains have faced a challenging operating climate over the past five to six years, making it difficult for the Company to commit to new investments. But we need to change our mindset. That's why I've repeatedly stressed that management will no longer hesitate to commit resources to promising projects. I have also urged employees to propose projects of interest or vision in these domains. These efforts are now producing tangible results. From the outset of the merger, we have wanted to grow the textiles and produce and foodstuffs domains, especially as the former Tomen Corporation's strengths lie in these domains. In this sense, I feel once again that the merger was an ideal pairing for both companies.

In planning new investments, we must look beyond the traditional trading company business model. In the past, business models in the textiles and the produce and foodstuffs domains were based on sourcing products and materials from overseas regions, where prices are relatively low, for sale in Japan. However, with Japan's population declining due to an aging society with fewer births, we can no longer count on growth from this traditional business model. We have been able to rapidly grow in the automotive field not only because of expansion in overseas production by the Toyota Group, but also due to the fact that we have conducted businesses closely tied to overseas markets and have built relationships with customers in each respective region. We need to emulate this success in non-automotive fields by actively moving into overseas markets to develop businesses. Simply sourcing products and materials abroad is no longer enough.

Quantitative Benefits of Merger Synergies (Income Before Income Taxes and Minority Interests Basis) (¥ billion)

■ Business synergies
■ Integration synergies



Merger synergies have also produced strong results. I would have been satisfied if synergies in the first post-merger year had offset merger costs. However, merger synergies boosted earnings by ¥3.7 billion at the income before income taxes and minority interests level. There were numerous successes in many fields. Take for example cross-selling initiatives, where the pre-merger companies introduce their respective business partners and products to each other's customers. Here Vestech Japan Corporation, an investee of the pre-merger Toyota Tsusho, delivered generator equipment to one of Japan's largest wind farm projects in Shimane Prefecture. This project is being developed under contract by Euros Energy Holdings

Corporation, an investee of the former Tomen. Vice versa, the former Tomen supplied pharmaceuticals via a French subsidiary to Cambodia and Honduras as part of a pharmaceuticals-related economic cooperation project won by the pre-merger Toyota Tsusho. In cross-pollination initiatives, where the pre-merger companies take advantage of each other's business contacts that have been developed over the years, the former Toyota Tsusho began exporting Toyota vehicles to Central Asia, including Georgia, taking advantage of ties developed by Tomen. Logistics systems, where the pre-merger Toyota Tsusho was strong, were delivered to the customers of the former Tomen's textile departments. In these and other ways, the pre-merger companies are capturing synergies that harness their respective strengths across both automotive and non-automotive fields.

Question:

Toyota Tsusho has been establishing a global business model in step with Toyota's pursuit of optimal production worldwide. What is your outlook for the automotive field?

Answer:



The annual demand for new vehicles in industrialized countries corresponds to roughly 5% of each country's population. So Japan's population of around 120 million people supports an auto market with demand for around 5 to 6 million vehicles annually. Likewise, the U.S. population of roughly 300 million people gives rise to an auto market with demand for just over 15 million vehicles per year. By this line of thinking, the world's auto market has yet to reach even half of its potential relative to the world's current population. With a population of roughly 1.2 to 1.3

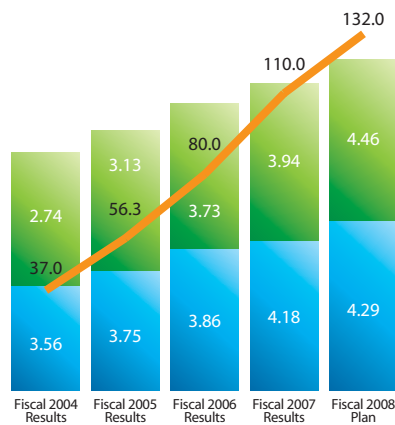
billion people, China alone could ultimately develop into a market for 60 million vehicles, nearly double the size of the current global auto market. There are challenges to tackle, such as environmental and energy issues, but the auto market has enormous growth potential.

Many more business opportunities therefore lie ahead. As overseas auto production grows, the presence of local partners to supply materials and components has become just

as important overseas as in Japan. Toyota Tsusho has not only been offering materials procurement, processing and recycling functions, but has also been providing administrative support and other services that enable components makers that have moved into overseas markets to concentrate on manufacturing. In this sense, rather than being a mere trading company, Toyota Tsusho has grown into an indispensable partner for automakers seeking to develop business overseas. This role is underscored by our rapid growth in the automotive field over the past five years or so. Going forward, I expect the automotive field to remain at the heart of our operations.

Toyota Tsusho Operating Income and Toyota Automobile Production

- Toyota Tsusho Operating Income (¥ billion)
- Toyota Overseas Production (million units)
- Toyota Domestic Production (million units)



Question:

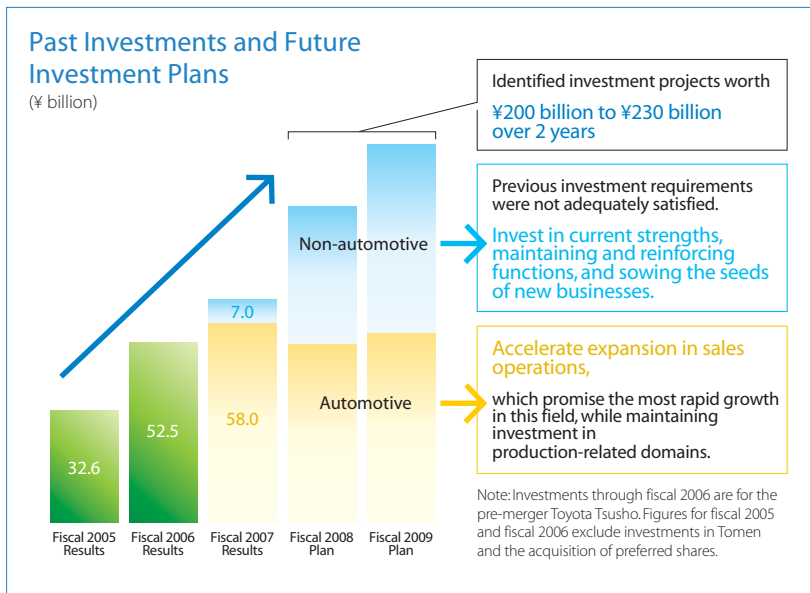
Why then must you rush to reinforce non-automotive fields, when growth in the automotive field is bound to continue for some time?

Answer:

There is no guarantee that our strong performance in the automotive field will continue indefinitely. The global auto market is certainly growing steadily. And Toyota, our largest customer, currently accounts for roughly half of that growth. However, I believe that maintaining the current pace of growth, considering personnel and management constraints, will

be an extremely difficult feat even for Toyota. On the other hand, from a long-term perspective, I believe that enhancing business in non-automotive fields is indispensable to making the automotive field even stronger. For example, automobiles currently run on gasoline and other fossil fuels and use devices that require a diverse array of rare earth elements and other scarce materials. Take away either and automobiles will not function. We must therefore ask: what can replace gasoline and where will these resources and fuels come from? I believe that while automakers develop new engines and cars, our role as a trading company is to think about these sorts of things and procure these resources.

In this sense, we must invest in new domains in anticipation of the future while the automotive field is still healthy.



Question:

Could you please elaborate on the priority domains that will drive growth going forward?

Answer:

Our priority non-automotive domains are energy, textiles, and produce and foodstuffs. In the energy domain, we are already conducting business mainly in Southeast Asia. We intend to concentrate on the IPP (independent power producer) business, which has become a source of stable earnings for us. Much is expected of the IPP business, not only as a business, but also for the contribution it will make to regional societies as social infrastructure. Next is the fuels domain, which is closely tied to the automotive field. Here we are focusing on coal and natural gas from the standpoint of ensuring reliable supplies and stable prices and diversifying risks to mitigate our dependence on oil. Because we expect to see synergies between fuels and the IPP business, we want to build a value chain including rights to natural resources. Furthermore, we expect new forms of environmentally friendly energy, such as dimethyl ether (DME), and gas to liquids (GTL) technology to spawn new markets in the future and open up new business opportunities. To make our presence felt in these areas, we are already taking part in a variety of projects. With regard to the textiles and the produce and foodstuffs domains, we want to do more than simply source products and materials overseas for sale in Japan. We now view the overseas countries from which we source these goods as markets in their own right. Our activities are thus geared to extending our value chain which was developed in Japan and which spans logistics, processing, manufacturing and sales, to each overseas country.

Meanwhile, in the automotive field, we will continue to expand and reinforce businesses related to auto production. Examples in the Metals Division include the steel sheet processing business, such as fine blanking processing; the molten metal business, where we deliver aluminum materials to customers' plants in a molten state rather than in the usual form of ingots; and the recycling business, where we collect, process and reuse metal scrap generated by customers' plants. We will also do the same in overseas automobile sales, which are equally important as a driver of growth.

Question:

Which overseas regions will you prioritize in the future?

Answer:



In the near term, our priority regions will be the BRIC countries, whose automotive markets promise rapid growth. Of these countries, China has already seen the start of mass auto production in Tianjin and Guangzhou. Although Toyota Tsusho has been steadily reinforcing its production and sales functions year by year, I want to take these functions to an even higher level going forward. Meanwhile, in Brazil and India, where auto production began much earlier than in China, the scale of production is expected to increase significantly, mainly due to

the launch of new models. Accordingly, we have already begun to beef up our functions and personnel in preparation for this growth. Likewise, we plan to strengthen our presence in South Africa, which shares much in common with the BRIC countries.

Question:

Some investors believe that your objective is to make Toyota Tsusho a bona fide general trading company through the merger with Tomen. How do you respond to this?

Answer:

I'm often asked this sort of question in various situations by many different people, not just investors. But I've never said that our goal is to be a bona fide general trading company. My answer has always been that our goal is to be a trading company strongly grounded in manufacturing principles.

Make no mistake. Toyota Tsusho is a trading company that handles diverse products in various fields and proactively invests in businesses. But underlying these activities is the conviction that we must grow together with customers and suppliers by constantly honing our strengths as we work together with them. In this sense, our approach differs from an investment fund where decisions are based mostly on investment returns, rather than on the potential for developing their own strengths.

Question:

What exactly do you mean by “a trading company strongly grounded in manufacturing principles?”

Answer:

For future trading company businesses, adding value in the course of doing business, rather than mere trading activities, will be crucial to success. Put simply, trading companies will need to conduct businesses where they can add value along their value chain from procurement to sales, whether by reducing inventories or enhancing processing. At Toyota Tsusho, the manufacturing principles we practice in the automotive field are brought to bear on everything we do. I strongly believe that this approach should be central to the business models we establish going forward.

Let me give you an example. Toyota Tsusho has a Production *Kaizen* team specializing in the Toyota Production System (TPS). This team has been consulting with and fielding requests from many customers, including the former Tomen’s clientele of non-automotive manufacturers. Seeing that the former Tomen had established ties with the Toyota Group, they did not want to pass up this opportunity. We are already involved in several *Kaizen* projects that have had some success in reducing costs. Customers benefit from the lower costs; we benefit from the higher transaction volumes that result from the recognition we earn from each *Kaizen* project. We want to keep on forging these sorts of “win-win” relationships with customers in both the automotive and non-automotive fields.

Question:

Could you please explain your financial strategies and approach to returning profits to shareholders?

Answer:

Under its current Long-term Business Plan, Toyota Tsusho envisions much higher growth by making substantial investments for some time to come. We plan to invest around ¥200 billion in the automotive and non-automotive fields combined over the next 2 years. But because a new growth phase involves dramatic change, we recognize that building a strong financial base that reassures all stakeholders is an urgent priority. For that reason, Toyota Tsusho increased capital by ¥76.3 billion through the issuance of new shares in November 2006, including shares allotted to a third party. As a result, our net debt-equity ratio and shareholders’ equity ratio have improved to 1.2% and 23.5%, respectively, both on a par with Japan’s leading trading companies.

We also recognize the importance of returning earnings to shareholders. Based on this recognition, we increased the annual dividend applicable to fiscal 2007 by ¥8 per share to ¥26 per share. In fiscal 2008, although we expect net income to drop from fiscal 2007, when there was a reduction in non-consolidated income taxes due to the merger, we plan to maintain an annual dividend of ¥26 per share in line with our basic policy of paying stable dividends, while working to gradually raise the consolidated dividend payout ratio.