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Financial Review

Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating Environment

Overview

The Toyota Tsusho Group's principal business activity is the trading of a broad range of products in Japan and throughout the world. The Group's businesses also include manufacturing and processing, business investment and services. The Group's operations are classified into six operating divisions on the basis of products and services offered: Metals; Machinery & Electronics; Automotive; Energy & Chemicals; Produce & Foodstuffs; and Consumer Products, Services & Materials.

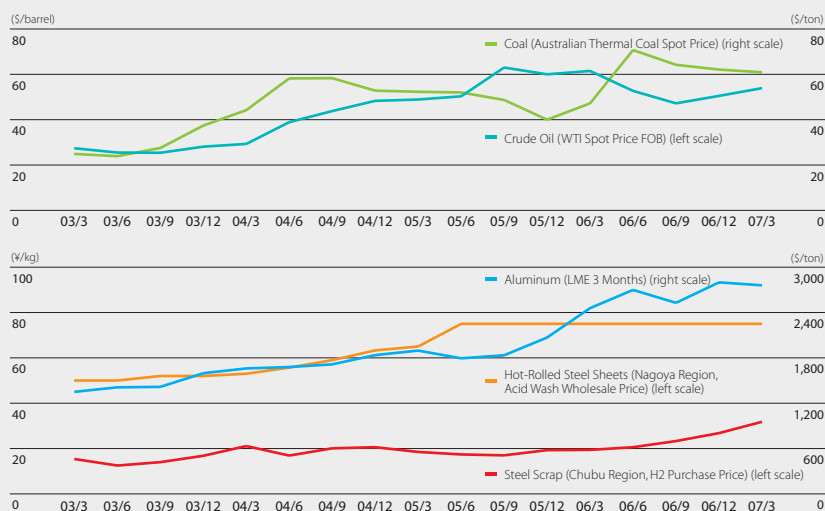
Each business is managed by head office divisions and the subsidiaries and affiliates overseen by each division. The Group has a diversified portfolio that covers products and services in an extensive range of industries and markets. The Group's operating results are therefore affected by economic trends in Japan and external factors, including global political, regulatory and economic trends, movements in coal, oil and other international commodity prices, and foreign exchange fluctuations. The Group's principal customers, including the Toyota Group, are involved in the automotive sector. Therefore, the Group's strategies and operating results in three principal business segments in particular—Metals, Machinery & Electronics, and Automotive—are affected by the operating environment and technology trends in the automobile industry in Japan and overseas.

Economic Environment

In fiscal 2007, there was widespread concern over a possible slowdown in the global economy due to rising prices of basic materials, such as steel and chemicals, driven by escalating coal, oil and other energy prices. However, an overall expansion in the economies of the BRIC countries, particularly China, India and Brazil, and various Asian countries continued mainly on the strength of exports. The U.S. and European economies also expanded at a steady pace. As a result, global economic growth remained strong overall.

By region, there were uncertainties in the U.S. economy stemming from surging crude oil prices, a possible slowdown in private-sector capital investment due to increases in interest rates, and a sharp downturn in housing investment due to the collapse of the housing bubble, by now a longstanding source of concern. However, the U.S. continued to enjoy high economic growth, supported by robust private-sector capital investment underpinned by healthy corporate profits and a steady expansion of consumer spending due to a favorable employment picture. The European economy saw clear signs of improving consumer spending against the backdrop of an upturn in employment conditions, which stimulated further economic growth. Clearly, the euro zone has come to the fore in economic stature and other respects, supported by a stronger euro. In Russia, included in Europe for reporting purposes, domestic demand expanded with rising oil prices, including improved consumer spending. This supported a sustained high economic growth rate. In Asia, China recorded extremely strong growth, led by expanding exports to industrialized countries and a high level of capital investment supported by massive capital inflows from abroad. China's high economic growth rate had a ripple effect, boosting economic growth in ASEAN, a region that is strengthening economic ties with China. As a result, economic growth was favorable throughout Asia. Meanwhile, there were concerns over intensifying conflict in the Middle East and other issues, but the region experienced sustained growth underpinned by high resource prices.

Crude Oil, Steel and Coal Prices



In Japan, there were concerns such as persistently high prices for resources and basic materials such as crude oil and steel, and a squeeze on corporate profits due to the resulting surge in materials prices. However, Japan's economy continued to expand, recording a period of sustained growth longer than the late-1960s *Izanagi* boom. This growth is being fueled by healthy expansion in private-sector capital investment in step with rising corporate earnings, mostly at export-oriented companies owing to a weaker yen. Consumer spending was supported by further improvement in employment conditions, despite concerns such as the end of fixed-rate across-the-board tax cuts and increases in pension premiums.

Trends in the Automotive Industry and Toyota Group

In the automobile industry, one of our primary sources of earnings, automobile production and sales were sluggish in two key markets: North America and Europe. However, global automobile sales continue to grow steadily, fueled by higher demand in the BRIC, ASEAN and African regions together with advances in motorization in conjunction with economic growth. Global automobile production in 2006 (calendar year) increased 4.0% to 69,127 thousand units. The Group's primary customers, namely Toyota Motor Corporation and other Japanese automobile manufacturers, significantly boosted sales, leveraging the superior quality of their fuel-efficient cars. They have been increasing overall overseas production at an average annual rate exceeding 9%, from 7,652 thousand units in 2002 to 10,972 thousand units in 2006. Combined with domestic production, their global output grew more than 5% at an annualized rate, rising from 17,909 thousand units in 2002 to 22,456 thousand units in 2006, topping the global automobile production growth rate.

In this environment, Japanese automobile manufacturers, especially the Toyota Group, are aggressively boosting overseas production. Overseas production by the Toyota Group, including Daihatsu Motor Co., Ltd. and Hino Motor Co., Ltd., increased 10.1% year on year in 2006 to 3,932 thousand units. This momentum is expected to persist, as the Toyota Group plans to continue to make substantial investments to realize its long-term vision of capturing a 15% share (on a unit sales basis) of the global automobile market.

Business Performance of Toyota Tsusho Corporation

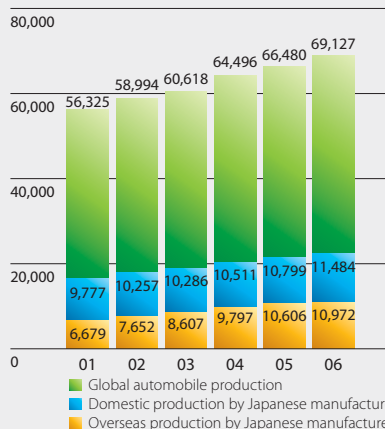
Operating Results

In fiscal 2007, the Metals business grew at a healthy pace, as the automotive sector, the primary source of our earnings, saw continued increases in automobile production, mostly overseas. In addition, overseas subsidiaries, particularly those in Asia, the U.S., and Europe, posted strong results, and the automobile sales business performed well in Russia, Africa, and other regions. Including sales growth from the merger with Tomen Corporation, consolidated net sales increased ¥2,240.1 billion, or 56.4% year on year to ¥6,212.7 billion, a record for the sixth straight year.

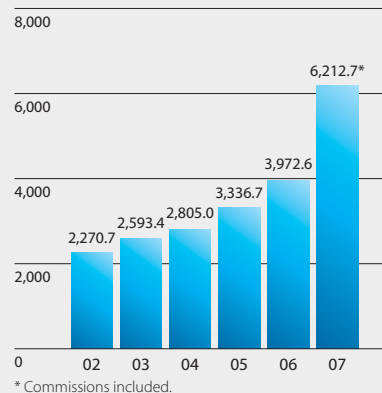
For similar reasons, consolidated operating income increased ¥29.9 billion, or 37.4%, to ¥110.0 billion.

For accounting purposes, Toyota Tsusho was not required to incur income taxes on a non-consolidated basis due to the application of the former Tomen Corporation's operating loss carryforwards in tandem with the merger. These and other factors significantly lifted net income by ¥31.5 billion, or 68.8%, to ¥77.2 billion.

Global Automobile Production
(Calendar year; Unit: 1,000 vehicles)



Net Sales
(¥ billion)



* Commissions included.

Source: Organisation Internationale des Constructeurs d'Automobiles
Production by Japanese automobile manufacturers:
Japan Automobile Manufacturers Association

Determination of Number of New Shares Issued Via Public Offering (General Public Offering), Third-party Allotment and Secondary Offering (Over-allotment)

1. On October 31, 2006, the Board of Directors of Toyota Tsusho Corporation resolved to issue new shares through a public offering (general public offering), third-party allotment, and secondary offering (offering through over-allotment). These procedures were completed as follows:

	Public Offering	Third-party Allotment (to Toyota Motor Corporation)	Over-allotment	Total
Number of shares issued (thousand shares)	19,500	5,390	1,603	26,493
Proceeds (¥ million)	55,719	16,056	4,581	76,357

2. Change in Total Number of Shares Issued

Total number of shares issued as of September 30, 2006	327,563,216
Increase in number of shares due to share issuances	26,493,300
Total number of shares issued after share issuances	354,056,516

3. Use of Share Issuance Proceeds From Third Party Allotment, etc.

Toyota Tsusho will use the total proceeds of ¥76.3 billion from new shares issued via the public offering, third party allotment, and secondary offering primarily to extend loans to and invest in subsidiaries and other companies.

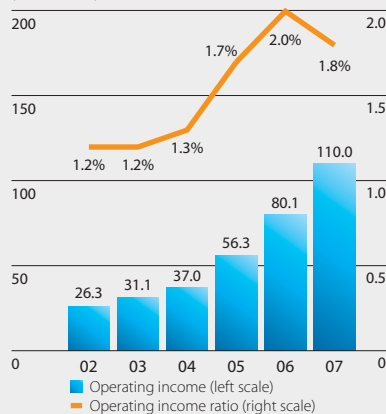
The automotive field is a source of stable earnings for Toyota Tsusho. Investments in this field will be made to reinforce and expand the Company's earnings base in response to an aggressive overseas business expansion drive by various Toyota Group companies. Specifically, Toyota Tsusho plans to earmark the proceeds for investments in businesses such as the fine blanking processing business in the Metals segment; the facility and equipment maintenance business in the Machinery & Electronics segment; and the dealership business in the Automotive segment.

Furthermore, the Company will establish new earnings streams through investment in non-automotive fields aimed at expanding businesses with strong growth potential and profitability. Specifically, the Company plans to earmark the proceeds for investments in businesses such as coal, petroleum, gas and electric power producer businesses in the Energy & Chemicals segment; the silo business in the Produce & Foodstuffs segment, and the insurance business in the Consumer Products, Services & Materials segment.

The proceeds will also give the Company a stronger financial position and enable it to respond promptly to numerous investment opportunities, and will ensure greater flexibility in business strategies.

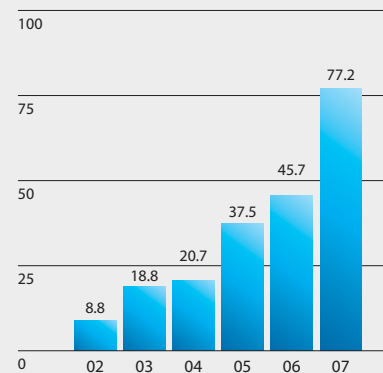
Operating Income and Operating Income Ratio

(¥ billion/%)



Net Income

(¥ billion)



Segment Information

Results of Operations by Operating Segment

Metals

In the steel sheet, bars and tubes field, the Metals Division saw an increase in volume as a result of measures to catalyze sales growth in response to steady demand from the auto industry. These measures included enhancing the steel processing productivity of Toyota Steel Center Co., Ltd.

In the steel raw materials field, efforts were focused on expanding recycling operations through such means as bringing a new plant on stream in Thailand in the onsite recycling business.

In non-ferrous metals, we continued to work on driving growth in the molten aluminum business as we established new aluminum processing and distribution companies in Thailand and China.

Against this backdrop, stronger market conditions and growth in worldwide automobile output lifted net sales ¥278.3 billion higher than the previous fiscal year to ¥1,845.5 billion.

Furthermore, operating income rose ¥10.0 billion to ¥34.4 billion in line with higher net sales.

Machinery & Electronics

In the machinery business, as corporate customers grew their operations overseas, the Machinery & Electronics Division achieved steady export growth by actively supplying these customers with machinery and other equipment. In the textiles machinery business, this Division also reported steady export growth of air jet weaving machines to China.

In the information and electronics fields, the Division took steps to increase volume in the car electronics domain in response to the growing uptake of and expanding markets for hybrid vehicles. Efforts also focused on car electronics technologies such as driver support and safety functions.

In the logistics & forklift field, there was growth in handling volume, the result of active steps to expand sales of forklifts.

In the field of overseas automotive production parts, there was an increase in overseas trading transactions as a result of efforts to build a global production parts supply system.

As a result, net sales increased ¥454.3 billion from the previous fiscal year to ¥1,535.1 billion, including volume growth attributable to the merger. Operating income after

amortization of goodwill due to the merger rose ¥6.6 billion to ¥30.6 billion in line with higher sales.

Automotive

The Automotive Division delivered 19% year-on-year growth in terms of the volume of vehicles sold. This was due to market expansion accompanying economic growth in BRIC and resource-rich countries, which are key regional automotive markets for Toyota Tsusho. The increase also reflected the fact that Toyota Tsusho now conducts business in more countries following the merger with Tomen, as well as other factors.

Overseas, the Automotive Division worked on reinforcing its sales network by establishing 21 dealerships in priority countries and regions, including China and Europe. This brought the total number of overseas dealerships to 108 as of March 31, 2007.

As a result, also factoring in volume growth attributable to the merger, net sales rose ¥108.2 billion year on year to ¥751.7 billion. Operating income after amortization of goodwill due to the merger increased ¥13.2 billion year on year to ¥33.2 billion, in line with higher net sales at overseas automobile sales subsidiaries.

Energy & Chemicals

In the synthetic resin business, the Energy & Chemicals Division handled a steady volume of resins for automobiles and home appliances, urethane raw materials and other products. This came against the backdrop of signs of a rebound in synthetic resin production and sales mainly due to market expansion in China and a drop-off in surging naphtha prices. As a new initiative, this Division is developing a production business mainly involving chemical resin compounds in BRIC countries, Europe and North America.

In the energy and plant business, the Division took advantage of the merger to increase its suppliers of petrochemical products and expand sales areas and its customer base. Efforts focused on driving growth in sales and imports particularly in the Asian region. The Division also traded in greenhouse gas emissions credits in China and other countries, and launched a methane recovery and supply business in Thailand. As a result of these and other actions, net sales increased ¥969.4 billion to ¥1,269.2 billion, in part due to volume growth from the merger. In its

Australian coal project, Toyota Tsusho exchanged its interest in a coal mine due to close soon with an interest in another company's coal mine where mining operations are expected to be feasible over a longer term. Due to the impact of the resulting decrease in Toyota Tsusho's mining interests, operating income after amortization of goodwill due to the merger dropped ¥2.8 billion from the previous fiscal year to ¥4.5 billion.

Produce & Foodstuffs

In the feed grain business, the Produce & Foodstuffs Division handled a steadily higher volume of feed grain materials despite surging prices due to stronger demand for grain resources worldwide and abnormal weather. Furthermore, Toyota Tsusho joined forces with Toyota and Menicon Co., Ltd. to launch an advanced composting business that will help customers to effectively convert livestock manure into compost using specially developed composting enzymes and microorganisms and in the process contribute to an environmentally friendly, recycling-oriented livestock and agriculture industry. The Division took active steps to market the composting agents as part of this initiative.

In the foodstuffs business, the Division worked to increase sales to convenience stores and other retailers by reinforcing its OEM capabilities in processed foods.

Meanwhile, the Division withdrew from the low-margin meat trading business, as part of efforts to realign its business portfolio.

Overall, net sales increased ¥244.7 billion year on year to ¥349.6 billion, including volume growth from the merger. Operating income after amortization of goodwill increased ¥3.4 billion year on year to ¥3.7 billion, mainly reflecting the boost in net sales.

Consumer Products, Services & Materials

In housing, the Consumer Products, Services & Materials Division worked to develop condominiums with adjoining hospitals, and commercial and logistics facilities. In the insurance business, Toyotsu Hoken Customer Center Corporation began full-scale operations and worked to enhance customer service. In addition, the Division opened an insurance agency in the Philippines to augment its overseas insurance sales network.

Net Sales by Business Segment

(¥ billion)

	2006	2007
Metals	1,567.2	1,845.5
Machinery & Electronics	1,080.8	1,535.1
Automotive	643.5	751.7
Energy & Chemicals	299.8	1,269.2
Produce & Foodstuffs	104.9	349.6
Consumer Products, Services & Materials	219.6	382.7
Others	56.5	78.6

Operating Income by Business Segment

(¥ billion)

	2006	2007
Metals	24.4	34.4
Machinery & Electronics	24.0	30.6
Automotive	20.0	33.2
Energy & Chemicals	7.3	4.5
Produce & Foodstuffs	0.3	3.7
Consumer Products, Services & Materials	5.8	7.8
Others	(1.9)	(4.4)

In the nursing care field, the Division took steps to expand the rental and wholesaling of nursing care equipment. Specifically, it opened nursing care equipment rental offices in two new locations: the northern Kanto region and Kitakyushu. In automotive interior materials, assembling a stronger supply framework was a priority. Here we established a plant in China to manufacture needle punched carpet for use in automobiles in response to growing overseas automobile production.

Meanwhile, the Division withdrew from textiles and other markets with poor profitability as it continued to realign its business portfolio.

Overall, net sales increased ¥163.1 billion year on year to ¥382.7 billion, including volume growth attributable to the merger. Operating income after amortization of goodwill due to the merger increased ¥2.0 billion year on year to ¥7.8 billion, mainly reflecting higher sales of automotive interior materials.

Results of Operations by Geographic Segment

Japan

In fiscal 2007, net sales in Japan increased ¥1,533.4 billion year on year to ¥4,253.4 billion. This increase mainly reflected strong performances by the Metals and Machinery & Electronics divisions on a non-consolidated basis. Operating income after amortization of goodwill due to the merger rose ¥12.9 billion to ¥44.6 billion in line with higher net sales.

Asia & Oceania

In fiscal 2007, net sales in Asia & Oceania jumped ¥461.8 billion year on year to ¥949.7 billion. Sales growth was mainly driven by a strong showing by overseas subsidiaries in Thailand and other countries. Operating income rose ¥4.1 billion to ¥22.9 billion in line with higher net sales.

North America

In fiscal 2007, net sales in North America rose ¥124.1 billion year on year to ¥537.3 billion, mainly because U.S. subsidiaries performed well. Operating income edged up ¥0.4 billion to ¥12.9 billion in line with higher net sales.

Europe

In fiscal 2007, net sales in Europe were ¥340.9 billion, up ¥87.7 billion year on year. This increase was attributable to strong results at automobile sales subsidiaries and subsidiaries in Europe. Operating income rose ¥6.2 billion to ¥14.8 billion in line with higher net sales.

Others

In fiscal 2007, net sales in other regions increased ¥33.0 billion year on year to ¥131.2 billion, the result of strong performances by automobile sales subsidiaries in Africa. Operating income rose ¥7.4 billion to ¥15.7 billion in line with higher net sales.

Assets, Liabilities, and Equity

As of March 31, 2007, total assets were ¥2,462.2 billion, increasing ¥859.5 billion from a year earlier. Total liabilities at the fiscal year-end were ¥1,835.6 billion, ¥564.2 billion higher than a year ago. These increases were primarily attributable to the merger with Tomen Corporation.

Net assets as of March 31, 2007 were ¥626.5 billion, an increase of ¥295.3 billion compared with the sum of minority interests and total shareholders' equity a year ago. The equity component of net assets rose ¥264.6 billion from a year earlier. This increase primarily breaks down into ¥91.4 billion from the issuance of new shares in conjunction with the merger; a ¥76.3 billion increase in capital in the third quarter of fiscal 2007; a ¥68.8 billion increase in retained

Net Sales by Geographic Segment

(¥ billion)

	2006	2007
Japan	2,720.0	4,253.4
Asia & Oceania	487.9	949.7
North America	413.2	537.3
Europe	253.2	340.9
Others	98.2	131.2

earnings; and a ¥12.7 billion effect of a change in accounting standards. Consequently, the shareholders' equity ratio was 23.5% as of March 31, 2007.

Cash Flow

Operating activities provided net cash of ¥44.5 billion, mainly due to earnings growth. Investing activities used net cash of ¥31.1 billion, primarily for substantial investments in reinforcing various functions. Consequently, free cash flow was a positive ¥13.4 billion.

Financing activities used net cash of ¥46.5 billion. This mainly reflected the repayment of interest-bearing debt using funds freed up as a result of reducing idle money by making greater use of a Global Cash Management System (GCMS).

Accounting for Goodwill Resulting From Merger With Tomen

The merger with Tomen resulted in goodwill of ¥158.1 billion on a consolidated basis. This goodwill represents the acquisition price of the former Tomen Corporation, net of total shareholders' equity of ¥13.9 billion as of March 31, 2006 and a ¥4.1 billion impact of the continuing revaluation of inherited assets using the Purchase Method. The acquisition price of the former Tomen is ¥91.4 billion for the issue of new stock to former Tomen shareholders based on the 1-to-0.069 stock exchange ratio for the merger; ¥80.0 billion for the acquisition of preferred shares, and the outstanding balance of ¥4.7 billion in shares of the former Tomen held by the pre-merger Toyota Tsusho Corporation. Of the goodwill, ¥12.7 billion was recorded as investment securities on the balance sheet. This goodwill

will be amortized by the straight-line method over a period of 10 years from the fiscal year ended March 31, 2007. The total annual amortization is ¥15.8 billion, of which ¥14.5 billion will be included in SG&A expenses and ¥1.2 billion in other expenses.

Financial Strategy and Capital Structure

The financial strategy of the Company and its consolidated subsidiaries is focused on the efficient use of assets and fund procurement commensurate with its asset base. The goal is to achieve stable growth throughout the Group and to maintain a sound financial position.

Efficient Use of Assets

In order to optimize the efficient use of assets, we endeavor to generate maximum profit with minimum funds. To this end, we strive to use funds more efficiently through the efficient use of working capital through such means as collecting sales receivables earlier and reducing inventories, as well as by reducing idle, inefficient fixed assets. We intend to simultaneously enhance corporate value and improve our financial position by directing funds generated by the above measures to investments in businesses with high growth potential and the repayment of interest-bearing debt.

Fund Procurement Commensurate With Asset Base

In principle, the Group will finance fixed assets with long-term loans and shareholders' equity, while financing working capital with short-term borrowings. Given the nature of our business, we also have adopted a policy of funding the less liquid portion of working capital (minimal inventories needed to satisfy business requirements) with long-term

Breakdown of Goodwill

Item		Amount (¥ billion)	Remarks
Acquisition price	Issue of new stock	91.4	For capital increase consistent with the 1-to-0.069 stock exchange ratio
	Preferred shares and indirect shareholdings	84.7	Retired at the time of merger and reclassified as goodwill
Fair value	Tomen shareholders' equity	13.9	As shown on balance sheet as of March 31, 2006 (Tomen)
	Effect of the Purchase Method	4.1	Impact of continuing revaluation of inherited assets
Goodwill (Acquisition price – Fair value)		158.1	To be amortized by the straight-line method over 10 years beginning the fiscal year ended March 2007
		(including investment securities of 12.7)	

debt. In addition, we have established a multi-currency revolving credit facility that allows us to respond to unexpected events and meet the funding requirements of overseas subsidiaries.

Looking ahead, we will strive to enhance the efficient use of assets and secure funding, taking into consideration cash flows generated from operating activities, the condition of assets, economic conditions and the financial environment.

One concrete initiative was the roll-out of a GCMS at domestic affiliated companies. Using this system, we are enhancing funding efficiency through such means as reducing idle money and thoroughly applying the Toyotsu Value Achievement (TVA) performance benchmark.

Outlook for the Newborn Toyota Tsusho Group

The economic outlook for Japan calls for continued economic expansion, mainly driven by a positive cycle brought about by steady growth in capital investments accompanying higher corporate profits; growing consumer spending due to better employment and personal income levels; and steady export growth, reflecting ongoing global economic expansion. Overseas, economic growth should remain strong overall, despite a slowdown in the U.S. due to corrections in housing prices. Economies in Asia, including China, are projected to continue to expand, and the European economy can look forward to continued export-led expansion. However, sustained global economic expansion could be derailed by concerns over high crude oil and other resource prices, and rising geopolitical risks in the Middle East region.

In this environment, the Company on April 1, 2006 merged with Tomen. The newborn Toyota Tsusho Group commenced operations under a new corporate philosophy and corporate vision. The Group has defined the automotive sector as the core source of earnings among six business segments: Metals; Machinery & Electronics; Automotive; Energy & Chemicals; Produce & Foodstuffs; and Consumer Products, Services & Materials. The Company is committed to thoroughly bolstering competitive strengths, while at same time creating new functions using the management resources acquired through the merger to ensure that it does not miss any business opportunities. We will also apply our functional capabilities and expertise in the automotive

sector to non-automotive businesses to capture synergies with automotive businesses. And by actively channeling capital and human resources to these fields, we aim to create and incubate next-generation businesses that become second and third pillars of earnings.

Fiscal 2008, the second fiscal year since the merger, is positioned as a period for Toyota Tsusho to sow the seeds of new growth and will thus see the Company redouble efforts to develop new businesses.

Outlook for the Current Fiscal Year

Toyota Tsusho projects consolidated net sales of ¥6,800.0 billion for fiscal 2008, the year ending March 31, 2008, on expectations of strong performances in the Metals, Machinery & Electronics, and Automotive segments premised mainly on higher overseas automobile production and sales volume. On the earnings front, the Company is forecasting operating income of ¥132.0 billion, and net income of ¥65.0 billion. Although the net income forecast is lower than the ¥77.2 billion reported in fiscal 2007, this is because Toyota Tsusho recorded almost no income taxes in fiscal 2007 on a non-consolidated basis, as it took over Tomen's loss carryforwards as a result of the merger. Net income in fiscal 2007 would have been ¥58.2 billion in the absence of this reduction in income tax expenses on a non-consolidated basis. Accordingly, net income is projected to effectively increase in fiscal 2008 taking into account this situation.

Fiscal 2007 Results and Fiscal 2008 Forecasts (¥ billion)



* Net income in the absence of the non-consolidated income tax reduction due to the merger

Net Sales Forecasts by Product Segment

In fiscal 2008, the Metals Division is forecasting an increase in net sales on expectations of higher automobile output worldwide.

The Machinery & Electronics Division also anticipates higher net sales considering projected growth in overseas automobile output and handling volume of machinery equipment and electronic parts.

The Automotive Division is projecting an increase in net sales on volume growth at overseas automobile sales subsidiaries.

The Energy & Chemicals Division is forecasting higher net sales as it expects to handle a greater volume of mainly petroleum products.

The Produce & Foodstuffs Division expects an increase in net sales on projections of higher volume at U.S. subsidiaries and in food markets.

The Consumer Products, Services & Materials Division expects a higher volume of automotive interior materials and other products, and growth in condominium sales, to lift net sales.

Operating Income Forecasts by Product Segment

The Metals and Machinery & Electronics divisions anticipate higher operating income in line with projected growth in net sales.

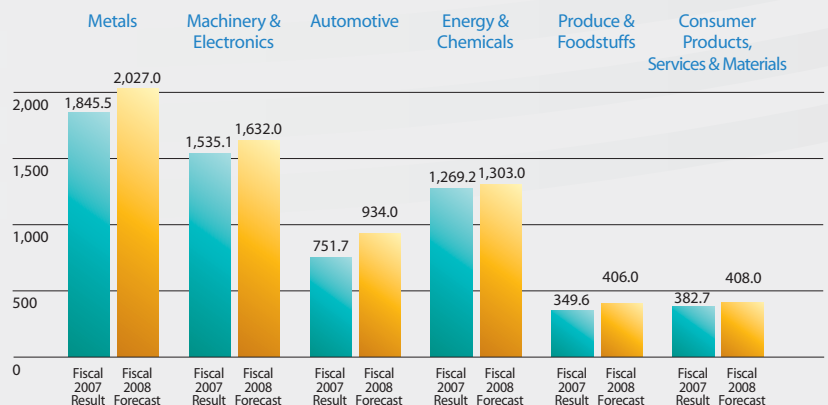
The Automotive Division is also forecasting growth in operating income due to projected growth in net sales at overseas automobile sales subsidiaries.

Meanwhile, the Energy & Chemicals Division is forecasting a drop in operating income because of upfront investments accompanying expansion in the energy and plant business.

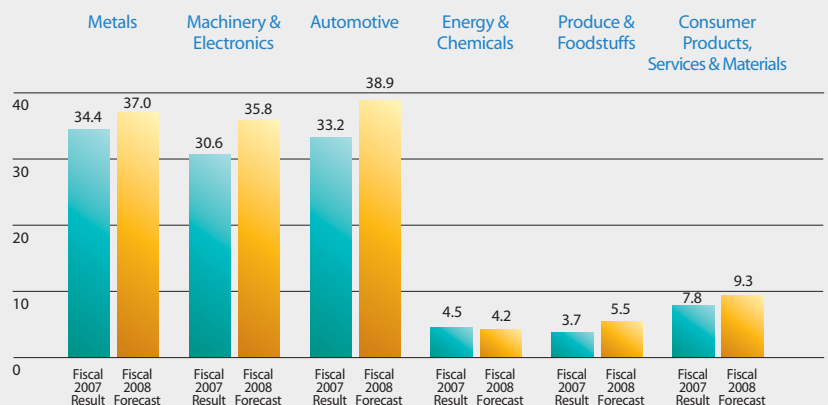
The Produce & Foodstuffs Division anticipates higher operating income in line with projected growth in net sales in food markets.

The Consumer Products, Services & Materials Division foresees growth in operating income in line with a projected increase in net sales.

Net Sales Results and Forecasts by Product Segment
(¥ billion)



Operating Income Results and Forecasts by Product Segment
(¥ billion)



Reference Figures

On April 1, 2006, Toyota Tsusho merged with the former Tomen. Accordingly, there have been changes to various financial indicators due to this merger. This section provides figures for fiscal 2007 and sums of the merged companies' results for fiscal 2006 for the purpose of facilitating effective year-on-year comparisons.

Overview of Consolidated Operating Results

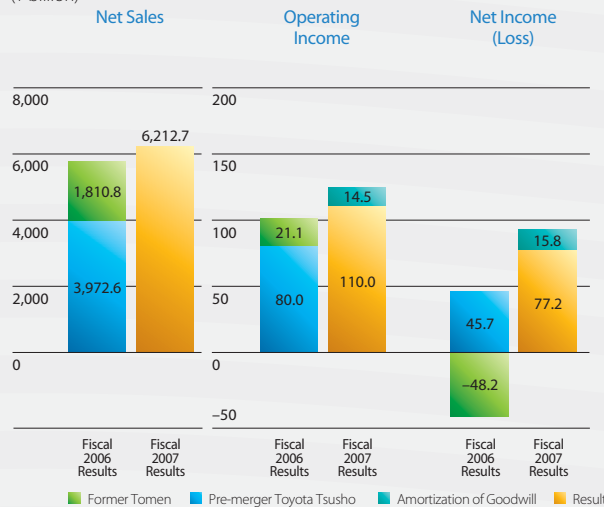
For fiscal 2007, net sales, operating income and net income rose year on year even after the amortization of goodwill.

Net Sales/Operating Income by Product Segment

- In fiscal 2007, the Metals Division posted net sales of ¥1,845.5 billion, up ¥278.3 billion from the previous fiscal year. This increase was mainly attributable to strong market conditions and growth in worldwide automobile output. Operating income rose ¥10.0 billion to ¥34.4 billion in line with higher net sales. The main earnings contributors to the higher earnings were ¥4.5 billion from overseas subsidiaries in the U.S., Thailand and other countries, and a boost of ¥1.0 billion in earnings from subsidiaries in line with rising prices of precious metals.
- In fiscal 2007, the Machinery & Electronics Division saw net sales increase ¥149.1 billion from the previous fiscal year to ¥1,535.1 billion. Growth was primarily driven by higher overseas automobile output and a growing volume of electronic parts, which outweighed falling machinery and equipment volume. Furthermore, operating income rose ¥3.4 billion to ¥30.6 billion in line with higher net sales. Incidentally, the main components of this growth in operating income were ¥1.5 billion from the machinery and equipment business and ¥1.8 billion from higher overseas automobile output.

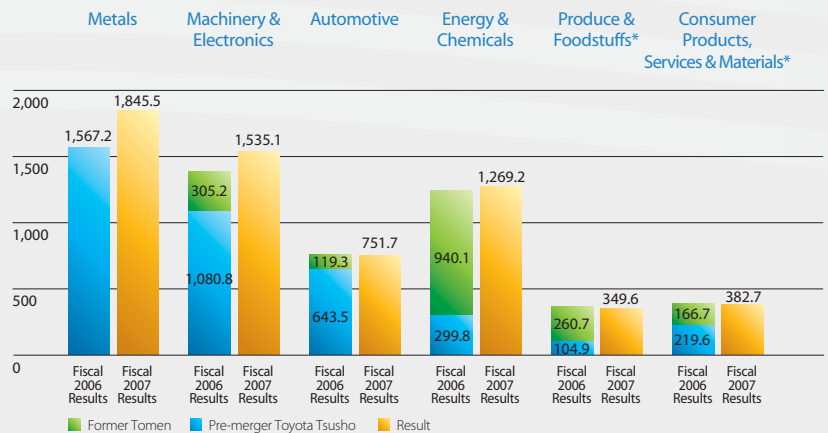
Consolidated Operating Results (Before Amortization of Goodwill)

(Fiscal 2006 Financial Indicators Reflecting Simple Sums of Toyota Tsusho and Former Tomen)
(¥ billion)



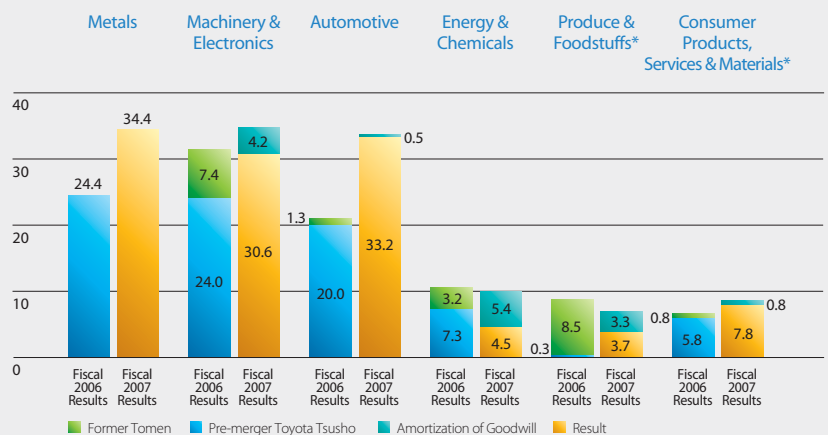
Net Sales by Product Segment

(¥ billion)



Operating Income by Product Segment

(¥ billion)



* Effective from the fiscal year ended March 31, 2007, Produce & Foodstuffs is shown as a separate segment to reflect the expanded scale of these operations following the merger with Tomen Corporation. Previously, the Produce & Foodstuffs business was included in the Consumer Products, Services & Materials segment. This reclassification has also been applied to results for the fiscal year ended March 31, 2006.

- The Automotive Division reported net sales of ¥751.7 billion in fiscal 2007, down ¥11.1 billion from the previous fiscal year. Although strong performances by overseas automobile sales subsidiaries contributed ¥85.0 billion to sales growth, this was outweighed by a drop of approximately ¥90.0 billion in sales as a result of the transfer to Toyota Motor Corporation of the parent company's rights to export automobiles to China. Operating income increased ¥12.4 billion year on year to ¥33.7 billion, in line with higher net sales at overseas automobile sales subsidiaries.

- The Energy & Chemicals Division reported net sales of ¥1,269.2 billion, increasing ¥29.3 billion year on year, mainly reflecting steady volume growth for chemical products and resins in step with higher worldwide automobile output. Meanwhile, in its Australian coal project, Toyota Tsusho exchanged its interest in a coal mine due to close soon with an interest in another company's coal mine where mining operations are expected to be feasible over a longer term. Due to the impact of the resulting decrease in Toyota Tsusho's mining interests, operating income decreased ¥0.6 billion year on year to ¥9.9 billion.

- In fiscal 2007, the Produce & Foodstuffs Division posted net sales of ¥349.6 billion, down ¥16.0 billion on the previous fiscal year, mainly due to a lower handling volume of the low-margin meat trading business. The drop in sales reduced operating income by ¥1.8 billion from the previous fiscal year to ¥7.0 billion.

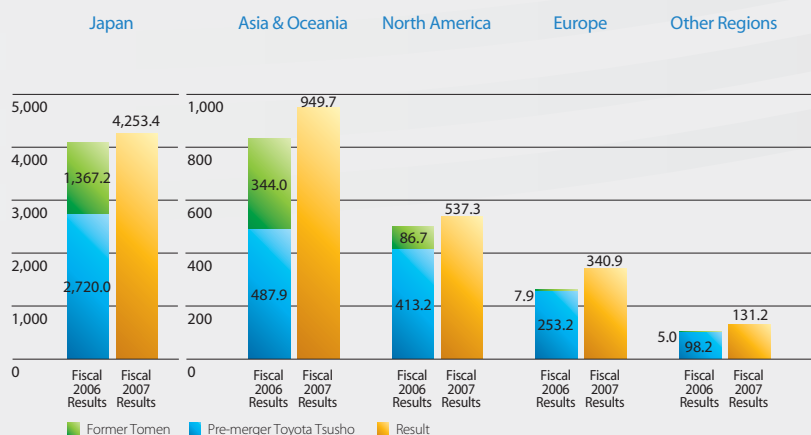
- The Consumer Products, Services & Materials Division posted net sales of ¥382.7 billion, a decrease of ¥3.6 billion year on year. This mainly reflected this Division's withdrawal from textiles and other markets with poor profitability, even as the Division handled a growing volume of automotive interior materials and other products. Operating income increased ¥2.0 billion year on year to ¥8.6 billion, mainly reflecting higher sales of automotive interior materials.

Net Sales/Operating Income by Geographic Segment

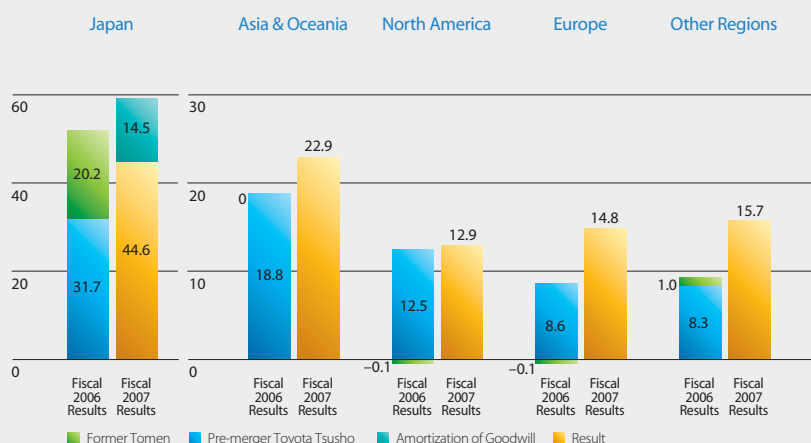
In fiscal 2007, net sales in Japan increased ¥166.2 billion year on year to ¥4,253.4 billion. This increase mainly reflected strong performances by the Metals and Machinery & Electronics divisions on a non-consolidated basis. Operating income rose ¥7.2 billion to ¥59.1 billion in line with higher net sales.

In fiscal 2007, net sales in Asia & Oceania jumped ¥117.8 billion year on year to ¥949.7 billion. Sales growth was mainly driven by a strong showing by overseas subsidiaries in Thailand and other countries. Operating income rose ¥4.1 billion to ¥22.9 billion in line with higher earnings accompanying sales growth.

Net Sales by Geographic Segment (¥ billion)



Operating Income (Loss) by Geographic Segment (¥ billion)



In fiscal 2007, net sales in North America rose ¥37.4 billion year on year to ¥537.3 billion, mainly because U.S. subsidiaries performed well. Operating income edged up ¥0.5 billion to ¥12.9 billion in line with higher net sales.

In fiscal 2007, net sales in Europe were ¥340.9 billion, up ¥79.8 billion year on year. This increase was attributable to strong results at automobile sales subsidiaries and subsidiaries in Europe. Operating income rose ¥6.3 billion to ¥14.8 billion in line with higher net sales.

In fiscal 2007, net sales in other regions increased ¥28.0 billion year on year to ¥131.2 billion, the result of strong performances by automobile sales subsidiaries in Africa. Operating income rose ¥6.4 billion to ¥15.7 billion in line with higher net sales.

Business Risks and Uncertainties

The following risks and uncertainties may affect our financial position and business performance. Forward-looking statements contained in this report are based on the judgment of the Company and its consolidated subsidiaries (the "Group") as of the date of publication.

1. Risk Associated With Operating Activities

Dependence on specific customers

The Group consists of the Company, its 338 subsidiaries, and 174 affiliates. The main business line of the Group is the sale of automotive-related and other products in the domestic and overseas markets. Sales of the Company in fiscal 2007 to the Toyota Group* accounted for 16.2% of net sales, with sales to Toyota Motor Corporation representing 7.9% of net sales. Therefore, trends in the automobile output of Toyota Motor Corporation may affect operating results of the Company.

* Toyota Motor Corporation, Toyota Industries Corporation, Aichi Steel Corporation, JTEKT Corporation, Toyota Auto Body Co., Ltd., Aisin Seiki Co., Ltd., Denso Corporation, Toyota Boshoku Corporation, Kanto Autoworks, Ltd., Toyoda Gosei Co., Ltd., Hino Motors, Ltd., Daihatsu Motors Co., Ltd.

Risk Associated With Customers' Credit

The Group faces a degree of risk arising from the collection of loans and receivables associated with commercial transactions of our domestic and overseas business customers. While the Group retains an allowance for doubtful accounts based on certain assumptions and estimates concerning customers' creditability, value of pledge and general economic situation, there is no guarantee that customers will repay the debts owed to the Group or that customers will be in a sound financial condition to repay debts owed by each due date.

Risk Associated With Commodities

Commodities the Group deals with in its businesses, such as non-ferrous metals, crude oil, rubber, food and textiles, are vulnerable to uncertainties arising from price fluctuations. While the Group takes various measures to reduce such risks, it may not be possible to completely avoid them.

Risk Associated With Business Investment

In the expansion of business operations, the Group intends to grow existing businesses, improve operational efficiencies and take on new business through strengthening of current partnerships or establishment of new partnerships with companies within or outside the Group. Therefore, the Group has established new ventures in partnership with other companies and has also invested in existing companies, and may continue to conduct such investing activities.

However, the Group may lose all or part of such investments or be obliged to provide additional funds in the event of a decline in the corporate worth or market value of the shares of invested companies. In such cases, the financial condition and/or results of the business operations of the Group may be adversely affected.

Risk Associated With Fluctuations in Interest Rates

Certain interest-bearing debt of the Group is based on variable interest rates. For a considerable portion of such debt, we are able to absorb the effect of changes in interest rates within working capital. However, we cannot hedge a certain portion of interest-bearing debt from the risk of market fluctuations. Thus, we are susceptible to risk associated with fluctuations in interest rates. The results of the business operations of the Group may therefore be affected by changes in future interest rates.

Risk Associated With Exchange Rates

Of the product sales, investment and other business activities conducted by the Group, transactions denominated in U.S. dollars or other foreign currencies may be affected by changes in exchange rates. While the Group takes measures to constrain the impact of such risks, we may be unable to completely avoid them.

Risk Associated With Countries

The Group deals with many overseas counterparts in the trade of foreign products or investment. Therefore, the Group is exposed to risks arising from the manufacturing and purchase of foreign products, such as regulations imposed by foreign governments, political uncertainties, and fund transfer restraints, as well as loss on investment or reduced asset value.

Furthermore, export and import activities of the Group are generally affected by competitive conditions arising from international trade barriers, trade conflicts, free trade agreements and multilateral agreements. While the Group endeavors to avoid the concentration of our business on specific regions or countries, there is the possibility that future losses incurred in specific regions or countries may impact the overall performance of the Group.

Competition in Export and International Trade

Major export and other international trade of the Group is conducted in a fiercely competitive environment. The Group competes with domestic and overseas manufacturers and trading companies operating in international markets on a global level. Some of these competitors possess merchandise, technologies and experience superior to that of the Group. Thus, there is no guarantee that the Group will maintain a competitive edge.

Environment-related Risks

The Group is engaged in businesses in Japan and overseas that are exposed to a broad range of environment-related risks. To mitigate these risks, the Group conducts risk management throughout its supply chain. Specific activities include promoting traceability in the food domain, and enforcing compliance with laws and regulations concerning the handling of hazardous chemical substances in the chemical products domain.

Furthermore, the Group's businesses in Japan and overseas are susceptible to various environmental risks associated with waste disposal and other factors. The Group could conceivably incur additional costs in these businesses, due to changes in environmental regulations, environmental pollution caused by natural disasters, or other factors. These and other factors may affect the Group's business performance.

2. Effect of Natural Disasters and Other Events

The Group conducts sufficient reviews and training regarding the establishment and management of disaster response agencies, in order to safely and rapidly deal with natural disasters such as fires and earthquakes. For example, as an initiative to minimize the impact of earthquakes and other events on the Group's business operations, the Group conducts inspections and surveys of the seismic structure of its facilities and takes other appropriate measures as necessary.

However, a major, large-scale earthquake in the Tokai region or similar disaster may still have an impact on the Group's business operations.

Significant Accounting Policies and Estimates

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting principles and practices in Japan. In producing these consolidated financial statements, the Company recognizes the following critical accounting policies can significantly affect important judgments and estimates the Company has employed to produce the consolidated financial statements of the Group.

Allowance for Doubtful Accounts

The Group records an allowance for doubtful accounts to cover estimated credit losses resulting from the inability of customers to make required payments. Additional provisions may be required in the event a customer's financial position worsens, thereby weakening repayment ability.

Inventories

The Group records as write-offs an estimated obsolescence amount equal to the difference between cost and estimated fair value based on projected future demand and market conditions. The Group may be required to book additional write-offs in the event that declines in future demand and market conditions exceed its projections.

Impairment of Tangible and Intangible Fixed Assets

The Group owns tangible and intangible fixed assets in order to enhance its operational capabilities and expand business. Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projections of the grouping of assets, total undiscounted cash flows and recoverable value, with due consideration for the specific condition of each company. Additional write-offs may be required should losses or the uncollectible amount of book value beyond that reflected in present estimates arise due to a reduction in land prices, the impairment of assets or other causes.

Impairment of Marketable Securities

The Group owns the stock of specific customers and financial institutions in order to ensure continued business. Such stock includes listed stock with highly volatile prices and stock of non-listed companies for which it is difficult to determine fair market value.

For listed stock, an impairment loss is recorded when the stock market price at our closing date falls 30% or more below book value and such decline is deemed to be other than temporary. For the stock of non-listed companies, an impairment loss is recorded when the value of our investment as measured by the non-listed company's net assets declines by 50% or more below book value. In addition, additional write-offs may be necessary should losses or an uncollectible amount of book value beyond that reflected in present estimates arise due to market decline or poor performance by the invested company.

Deferred Tax Assets

The Group records valuation allowances in order to reduce deferred tax assets to realizable values. Future taxable income and prudent, achievable and sustainable tax payment schedules are considered in determining the appropriate valuation allowances. An adjusted amount for deferred income tax assets is recorded as a cost in the fiscal year in which it is deemed more likely than not that some portion or all of the deferred tax assets will not be realized. Conversely, in the event tax assets exceeding the net values as recorded in the financial statements are expected to be realized, an adjustment in deferred tax assets is recorded as income in the fiscal year in which the tax assets are expected to be realized.

Employee Retirement Benefits

Calculation of costs and obligations from employee retirement benefits is based on actuarial assumptions. These assumptions include discount rates, future levels of compensation, retirement ratios as well as mortality rates using recent statistical data and long-term returns on pension assets. In the pension system applied to the parent company and its domestic subsidiaries, discount rates are calculated by adjusting the market yield of Japanese government bonds by the number of years during which existing employees receive the pension. The expected return on assets is calculated using the weighted average of the expected long-term return on each category of assets in which the pension assets are invested. The extent to which actual results differ from the assumptions, or the extent to which assumptions are revised, will generally affect recognized expenses or recorded obligations in future periods, since such effects are accumulated and regularly recognized in the future. The amortization of the unrecognized actuarial difference comprising a portion of pension expenses is a regularly recognized expense of the effect of the change in assumptions and the impact of the difference between assumptions and actual results.