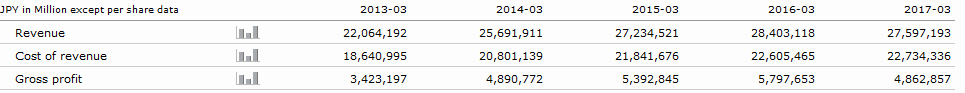
Toyota corporation is a brand that is known far and wide. Its products can be found in the roads in many countries across the world. Globalisation has enabled it to spread its wings far and wide. The slogan “the car in front of you is always a Toyota” underscores the dominance. Despite the entry of other players, the firm has retained its market share. It has also aggressively penetrated other markets with its relatively cheaper products. The wide range of vehicles affords the customers an opportunity to exercise choice. This car manufacturer provides vehicles ideal for luxury, commercial purposes, sports, hiking, touring, haulage lorries and customized vehicles. This great portfolio of products can be attributed to be the reason behind its success. It not only increases the company’s revenues but also makes it able to compete with brands from companies such as General motors and Chevrolet. Besides, the firm has been keen in the use of technology in the design and the manufacturing process. Consequently, it incurs minimal cost of production and makes cars with features that attract the customers. The company has also been keen on offering products that comply with the environmental, legal and other standards required of them. This paper looks at the Toyota Corporation.

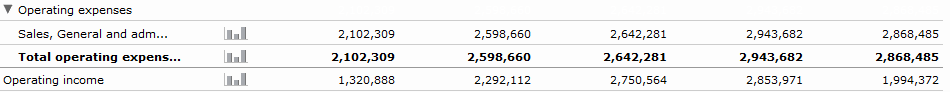
Financial statement review

**Income statement**

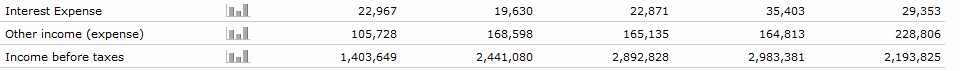
The company has witnessed a steady increase in the amount of sales revenues and cost of sales in the past five years.This is demonstrated by a sales revenue of 22 trillion in 2013, 25 in 2014, 27 in 2015 and 28 in 2016.The costs of revenues amounted to 18 trillion, 20 in 2014, 21 in 2015 and 22 trillion in 2014.Consequently, the gross profit also increased steadily in the same period. This is shown by 3 trillion, 4.8 trillion, 5.4, 5.8 and 4.8 in the period.



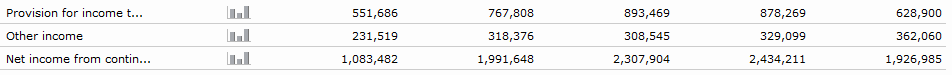
However, the operating expenses have steadily increased in the same period. This is not a good sign as the management has to focus on minimising costs from one year to the other. The sales values of 2.1 trillion, 2.6 trillion, 2.64 trillion, 2.9 trillion and 2.87 trillion in the years 2013,2014, 2015, 2016 and 2017 respectively. The operating income has also increased in the same manner rising from 1.32 trillion in 2013 to 2.29 trillion in 2014, 2.75 in 2015, 2.85 in 2016 and 1.994 in 2017.



The interest expense has been fluctuating without a predictable pattern. This is demonstrated by the 22.97 billion in 2013, 19.63 in 2014, 22.87 in 2015, 35.4 in 2016 and 29.35 in 2017. This underscores the fact that the business has been keen on paying the principal on its debts and the interests accruing on them. It has also been keen on increasing its leverage position by the uptake of more loans and other short term borrowings. The business has also invested in other activities and businesses that generates other comprehensive income. Toyota has been keen on increasing the amount of money spent on the investments both short term and long term. This is shown by the steady increase in the amounts of other income. The company received 105 billion, 168 billion, 165 billion, 164 billion and 228 billion in the years of the period under review. This resulted in a steady increase in the Earnings Before Interest and Taxes (EBIT) of 1.4 trillion, 2.44 trillion, 2.89 trillion, 2.98 trillion and 2.19 trillion in the years 2013, 2014, 2015, 2016 and 2017 respectively. This is a good performance as the business has made profits in each year under review.



The amounts received from other incomes have risen steadily as shown by 231 billion in 2013, 318 billion in 2014, 308 in 2015, 329 in 2016 and 362 in 2017. The provision for income transactions has also moved in the same pattern starting from a value of 551 billion and rising to 629 billion in 2017. The net income from continuing activities increased from 1.083 trillion to 1.926 trillion from the year 2013 to 2017. This is a good sign as it demonstrates that the business is profitable and the income generated may increase in the future.



The net income available to the shareholders keeps increasing from one fiscal year to the other. This is demonstrated by the 962 billion, 1.8 trillion, 2.173 trillion, 2.306 trillion and 1.8 trillion in the years 2013, 2014, 2015, 2016 and 2017 respectively. The business also issued preference shares in the year 2016. This claim is substantiated by the 6 billion and 9.7 billion paid in the form of preference shares dividends in the years 2016 and 2017 respectively. The earnings per share has also been on an upward trend as indicated by a basic earnings per share of $607, $1150, $1376, $1482 and $1210 in the years 2013, 2014, 2015, 2016 and 2017 respectively.





**balance sheet**

The statement of financial position provides details of the company assets, liabilities and equity. The assets and liabilities include both the short term which are held for a period of one year and the long term ones held for more than a year. A look at the current assets shows that the business has cash and cash equivalents and short term investments. These two have increased steadily as shown by 1.824 billion and 1.445 billion in 2013 to 2.995 billion and 1.821 billion in the year 2017. This can be attributed to the company holding cash to be more liquid and meet its short term obligations. Besides, there are receivables, inventories, deferred income tax, prepaid expenses and other current assets. The current assets have increased from

13.78 trillion in 2013, 15.717 in 2014, 17.96 billion in 2015, 18.2 in 2016 and 17.83 in 2017. This can be attributed to each of the individual asset in this category. The non-current assets are made up of the net asset value and the accumulated depreciation. It is evident that the business has been keen on the acquisition of new assets. There has been a steady rise in the value of this assets. This is shown by the 6.85 trillion in 2013, 7.641 in 2014, 9.295 in 2015, 9.74 in 2016 and 10.197 in 2017. The charge for depreciation also increased in the same manner as demonstrated by 11 trillion in 2013, 12.12 in 2014, 13.068 in 2015, 13.036 in 2016 and 13.451 in 2017. This can be attributed to the additional assets into the business.

The liabilities are composed of the current and long term liabilities. The current liabilities are made up of the short term debt, account payable, taxes payable, accrued liabilities and other currents. The total current liabilities have increased steadily from 12.9 trillion in 2013 to 14.68 in 2014, 16.43 in 2015, 16.124 in 2016 and 17.318 in 2017. This can be attributed to the steady increase in the respective liabilities. The long term liabilities are made up of long term debt, deferred tax liabilities, pensions and other benefits, minority interest and other long term liabilities.The total non current assets has increased steadily from one year to the other. This is evidenced by 10.422 trillion in 2013, 12.29 trillion in 2014, 14.51 trillion in 2015, 14.56 in 2016 and 13.916 in the year 2017. This can be attributed to the increase in the individual items. The shareholders fund is made up of additional paid in capital, retained earnings, treasury stock and accumulated other comprehensive income. The paid in capital has steadily decreased and can be attributed to the buy back of shares by the company. The retained earnings has increased from 12.69 trillion in 2013, 14.116 trillion in 2014, 15.591 in 2015, 16.794 trillion in 2016 and 17.601 in the year 2017. The treasury stock has also increased steadily from 1.133 trillion in 2013, 1.123 trillion in 2014, 1.225 trillion in 2015, 1.603 trillion in 2016 and 1.608 trillion in 2017. The total stockholder’s equity increased steadily as witnessed by 12.148 trillion in 2013, 14.469 trillion in 2014, 16.788 trillion in 2015, 16.746 trillion in 2016 and 17.514 trillion in the year 2017.

Proforma financial statements

**Income statement**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| Revenue | 22,064,192 | 25,691,911 | 27,234,521 | 28,403,118 | 27,597,193 | 30356912.3 | 33392603.53 | 36731863.88 | 40405050.27 | 44445555.3 |
| Cost of revenue | 18,640,995 | 20,801,139 | 21,841,676 | 22,605,465 | 22,734,336 | 25007769.6 | 27508546.56 | 30259401.22 | 33285341.34 | 36613875.47 |
| **Gross Profit** | **3,423,197** | **4,890,772** | **5,392,845** | **5,797,653** | **4,862,857** | **5349142.7** | **5884056.97** | **6472462.667** | **7119708.934** | **7831679.827** |
| Operating expenses |  |  |  |  |  |  |  |  |  |  |
| SG & A expenses | 2,102,309 | 2,598,660 | 2,642,281 | 2,943,682 | 2,868,485 | 3155333.5 | 3470866.85 | 3817953.535 | 4199748.889 | 4619723.777 |
| **Operating incomes** | **1,320,888** | **2,292,112** | **2,750,564** | **2,853,971** | **1,994,372** | **2193809.2** | **2413190.12** | **2654509.132** | **2919960.045** | **3211956.05** |
|  |  |  |  |  |  |  |  |  |  |  |
| Interest expense | 22,967 | 19,630 | 22,871 | 35,403 | 29,353 | 32288.3 | 35517.13 | 39068.843 | 42975.7273 | 47273.30003 |
| Other incomes | 105,728 | 168,598 | 165,135 | 164,813 | 228,806 | 251686.6 | 276855.26 | 304540.786 | 334994.8646 | 368494.3511 |
| Income before taxes | 1,403,649 | 2,441,080 | 2,892,828 | 2,983,381 | 2,193,825 | 2413207.5 | 2654528.25 | 2919981.075 | 3211979.183 | 3533177.101 |
|  |  |  |  |  |  |  |  |  |  |  |
| Income tax | 551,686 | 767,808 | 893,469 | 878,269 | 628,900 | 691790 | 760969 | 837065.9 | 920772.49 | 1012849.739 |
| Other incomes | 231,519 | 318,376 | 308,545 | 329,099 | 362,060 | 398266 | 438092.6 | 481901.86 | 530092.046 | 583101.2506 |
| **Net income from continuing operations** | **1,083,482** | **1,991,648** | **2,307,904** | **2,434,211** | **1,926,985** | **2119683.5** | **2331651.85** | **2564817.035** | **2821298.739** | **3103428.612** |
|  |  |  |  |  |  |  |  |  |  |  |
| Other | -121,319 | -168,529 | -134,566 | -121,517 | -95,876 | -105463.6 | -116009.96 | -127610.956 | -140372.0516 | -154409.2568 |
| **Net income** | **962,163** | **1,823,119** | **2,173,338** | **2,312,694** | **1,831,109** | **2014219.9** | **2215641.89** | **2437206.079** | **2680926.687** | **2949019.356** |
|  |  |  |  |  |  |  |  |  |  |  |
| Preferred dividends | 0 | 0 | 0 | 6087 | 9795 | 10774.5 | 11851.95 | 13037.145 | 14340.8595 | 15774.94545 |
| **Net income for shareholders** | **962,163** | **1,823,119** | **2,173,338** | **2,306,607** | **1,821,314** | **2003445.4** | **2203789.94** | **2424168.934** | **2666585.827** | **2933244.41** |
| Earnings per share |  |  |  |  |  |  |  |  |  |  |
| Basic | 607.64 | 1150.6 | 1376.04 | 1482.72 | 1210.94 | 1332.034 | 1465.2374 | 1611.76114 | 1772.937254 | 1950.230979 |

**Balance sheets**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Current assets** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| Cash and cash equivalents | 3270660 | 4268254 | 5066656 | 4450817 | 4816673 | 5057506.65 | 5310381.983 | 5575901.082 | 5854696.136 | 6147430.942 |
| Receivables | 1971659 | 2036232 | 8799230 | 2000149 | 2115938 | 2221734.9 | 2332821.645 | 2449462.727 | 2571935.864 | 2700532.657 |
| Inventories | 1,715,786 | 1,894,704 | 2,137,618 | 2,061,511 | 2,388,617 | 2508047.85 | 2633450.243 | 2765122.755 | 2903378.892 | 3048547.837 |
| Deferred income taxes | 749,398 | 866,386 | 978,179 | 967,607 | 0 | 1015987.35 | 1066786.718 | 1120126.053 | 1176132.356 | 1234938.974 |
| Prepaid expenses | 527,034 | 672,014 | 805,393 | 1,333,345 | 796,297 | 836111.85 | 877917.4425 | 921813.3146 | 967903.9804 | 1016299.179 |
| Other current assets | 5,550,353 | 5,980,116 | 149,321 | 7,396,124 | 7,716,170 | 8101978.5 | 8507077.425 | 8932431.296 | 9379052.861 | 9848005.504 |
| **Total current assets** | **13784890** | **15717706** | **17936397** | **18209553** | **17833695** | **18725379.75** | **19661648.74** | **20644731.17** | **21676967.73** | **22760816.12** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Property, plant and equipment** | |  |  |  |  |  |  |  |  |  |
| Gross PPE | 18,223,620 | 19,764,791 | 22,364,429 | 22,776,641 | 23,649,094 | 24831548.7 | 26073126.14 | 27376782.44 | 28745621.56 | 30182902.64 |
| Accumulated depreciation | -11,372,381 | -12,123,493 | -13,068,710 | -13,036,224 | -13,451,985 | -14124584.25 | -14830813.46 | -15572354.14 | -16350971.84 | -17168520.4 |
| **Net property plant and equipment** | **6,851,239** | **7,641,298** | **9,295,719** | **9,740,417** | **10,197,109** | 10706964.45 | 11242312.67 | 11804428.31 | 12394649.72 | 13014382.21 |
|  |  |  |  |  |  |  |  |  |  |  |
| Other investments | 7,849,681 | 9,931,209 | 10,323,586 | 10,071,411 | 10,525,567 | 11051845.35 | 11604437.62 | 12184659.5 | 12793892.47 | 13433587.1 |
| Other long term assets | 6,997,507 | 8,147,260 | 10,174,128 | 9,406,216 | 10,193,815 | 10703505.75 | 11238681.04 | 11800615.09 | 12390645.84 | 13010178.14 |
| **Total non-current assets** | **21,698,427** | **25,719,767** | **29,793,433** | **29,218,044** | **30,916,491** | 32462315.55 | 34085431.33 | 35789702.89 | 37579188.04 | 39458147.44 |
| Total assets | **35,483,317** | **41,437,473** | **47,729,830** | **47,427,597** | **48,750,186** | **51187695.3** | **53747080.07** | **56434434.07** | **59256155.77** | **62218963.56** |
| Current liabilities |  |  |  |  |  |  |  |  |  |  |
| Short term debt | 6,793,956 | 7,780,483 | 8,963,492 | 8,521,088 | 9,244,131 | 9706337.55 | 10191654.43 | 10701237.15 | 11236299.01 | 11798113.96 |
| Account payable | 2,113,778 | 2,213,218 | 2,410,588 | 2,389,515 | 2,566,382 | 2694701.1 | 2829436.155 | 2970907.963 | 3119453.361 | 3275426.029 |
| Taxes payables | 156,266 | 594,829 | 348,786 | 343,325 | 223,574 | 234752.7 | 246490.335 | 258814.8518 | 271755.5943 | 285343.3741 |
| Accrued liabilities | 2,185,537 | 2,313,160 | 2,668,666 | 2,726,120 | 3,137,827 | 3294718.35 | 3459454.268 | 3632426.981 | 3814048.33 | 4004750.746 |
| Other current liabilities | 1,662,983 | 1,778,995 | 2,039,964 | 2,144,408 | 2,147,051 | 2254403.55 | 2367123.728 | 2485479.914 | 2609753.91 | 2740241.605 |
| **Total current liabilities** | **12,912,520** | **14,680,685** | **16,431,496** | **16,124,456** | **17,318,965** | **18184913.25** | **19094158.91** | **20048866.86** | **21051310.2** | **22103875.71** |
| Non-current liability |  |  |  |  |  |  |  |  |  |  |
| Long-term debt | 7,337,824 | 8,546,910 | 10,014,395 | 9,772,065 | 9,911,596 | 10407175.8 | 10927534.59 | 11473911.32 | 12047606.89 | 12649987.23 |
| Deferred taxes liabilities | 1,385,927 | 1,811,846 | 2,298,469 | 2,046,089 | 1,423,726 | 1494912.3 | 1569657.915 | 1648140.811 | 1730547.851 | 1817075.244 |
| Pension and other benefits | 766,112 | 767,618 | 880,293 | 904,911 | 905,070 | 950323.5 | 997839.675 | 1047731.659 | 1100118.242 | 1155124.154 |
| Minority interest | 624,821 | 749,839 | 859,198 | 861,472 | 668,264 | 701677.2 | 736761.06 | 773599.113 | 812279.0687 | 852893.0221 |
| Other long term liability | 308,078 | 411,427 | 457,848 | 971,669 | 1,007,753 | 1058140.65 | 1111047.683 | 1166600.067 | 1224930.07 | 1286176.573 |
| **Total non-current liabilities** | **10,422,762** | **12,287,640** | **14,510,203** | **14,556,206** | **13,916,409** | 14612229.45 | 15342840.92 | 16109982.97 | 16915482.12 | 17761256.22 |
| **Total liabilities** | **23,335,282** | **26,968,325** | **30,941,699** | **30,680,662** | **31,235,374** | **32797142.7** | **34436999.84** | **36158849.83** | **37966792.32** | **39865131.93** |
| Stockholder's equity |  |  |  |  |  |  |  |  |  |  |
| Additional paid in capital | 948,090 | 948,358 | 944,104 | 945,211 | 881,063 | 925116.15 | 971371.9575 | 1019940.555 | 1070937.583 | 1124484.462 |
| Retained earnings | 12,689,206 | 14,116,295 | 15,591,947 | 16,794,240 | 17,601,070 | 18481123.5 | 19405179.68 | 20375438.66 | 21394210.59 | 22463921.12 |
| Treasury stock | -1,133,138 | -1,123,666 | -1,225,465 | -1,603,284 | -1,608,243 | -1688655.15 | -1773087.908 | -1861742.303 | -1954829.418 | -2052570.89 |
| Accumulated other comprehensive income | -356,123 | 528,161 | 1,477,545 | 610,768 | 640,922 | 672968.1 | 706616.505 | 741947.3303 | 779044.6968 | 817996.9316 |
| **Total stockholder's equity** | **12,148,035** | **14,469,148** | **16,788,131** | **16,746,935** | **17,514,812** | 18390552.6 | 19310080.23 | 20275584.24 | 21289363.45 | 22353831.63 |
| **Total liability and equity** | **35,483,317** | **41,437,473** | **47,729,830** | **47,427,597** | **48,750,186** | **51187695.3** | **53747080.07** | **56434434.07** | **59256155.77** | **62218963.56** |

Ratio analysis

Liquidity

Financial leverage

Asset management

Profitability

Market value

Debt

Per share

Measures of relative value (P/E and P/B ratios)

Activity

Cashflow

Calculation of ROE and the du point analysis

Economic Value Added calculation

Finding and recommendation on whether to purchase the stock

Financial risks associated with operating international

Exchange risk political risk interest rates wars