The material in this section was derived from information available to TOYODA's management as of December 22, 2000.

Finance

TOYODA has instituted fundamental financial policies to ensure appropriate funding and liquidity, as well as maintain healthy balance sheets.

In principle, TOYODA meets its capital expenditures and other long-term funding needs through retained earnings and long-term debt, while using short-term bank loans for operating funds. Long-term debt is raised mainly through bond issues, including convertible bonds. To partially cover the funds required for the acquisition of BT Industries AB (BT Industries), TOYODA raised a total of ¥40.0 billion in July 2000 through two issues of bonds without collateral in Japan. Further, in October 2000, to raise funds for the acquisition of BT Industries, as well as for capital expenditures, TOYODA issued 30 million new shares, raising a total of ¥55.7 billion. The issue of new shares was based upon a management decision, taken from a medium-range perspective, to ensure TOYODA's sound financial condition.

Financial Position

As of September 2000, the value of TOYODA's total assets reached ¥1,781.9 billion, which represented an increase of ¥1,096.0 billion over the end of the previous fiscal year (ended March 31, 2000). This resulted from the introduction of new accounting standards, including those for financial instruments, during the period under review. Shares of the Toyota Group, including Toyota Motor Corporation, and other investment securities, which had previously been calculated at the historical cost, were recalculated at current market value as of September 30, 2000. This resulted in an increase of ¥949.8 billion in the value of securities compared with the end of the previous fiscal year.

Inventories increased ¥17.0 billion over the end of the previous fiscal year, due mainly to the consolidation of BT Industries, acquired in June 2000, and other factors. Also mainly reflecting the acquisition of BT Industries, property, plant and equipment increased ¥22.5 billion, to ¥281.2 billion, over the end of the previous fiscal year, while consolidation difference of ¥81.7 billion was recorded under assets. Current liabilities rose ¥64.0 billion from the end of the previous fiscal year, to ¥209.9 billion, due mainly to the consolidation of BT Industries, an increase in commercial paper issued to partially fund the acquisition of BT Industries, and other factors. In conjunction with the equity finance through the issue of new shares in October 2000, the entire ¥20.0 billion commercial paper was redeemed in the same month. Long-term liabilities rose ¥477.5 billion from the end of the previous fiscal year, to ¥680.9 billion, through the adoption of mark-to-market accounting, which resulted in an increase of deferred tax liabilities by ¥391.1 billion and an increase of ¥40.0 billion in bonds without collateral. Shareholders' equity rose ¥557.0 billion from the end of the previous fiscal year, to ¥873.3 billion, as a result of the adoption of mark-to-market accounting, and other factors.

Cash Flows

Net cash provided by operating activities in the first half of the fiscal year under review amounted to ¥36.1 billion, consisting chiefly of income before income taxes of ¥13.8 billion and depreciation and amortization of intangibles of ¥19.6 billion. Net cash used in investing activities totaled ¥97.4 billion and was derived mainly from the acquisition of shares of BT Industries. Net cash provided by financing activities reached ¥56.6 billion and was derived from the issue of commercial paper, bonds without collateral, and other factors.

As a result of the above activities, cash and cash equivalents at end of six-month period dropped ¥4.7 billion from the previous fiscal year-end, to ¥72.7 billion.

Overview of Performance

Sales

During the period under review, consolidated net sales increased 18.2% over the corresponding period of the previous fiscal year, to ¥344.2 billion. Sales in all business segments rose over the corresponding period of the previous fiscal year. Sales in Japan increased 18.0% over the corresponding period of the previous fiscal year, to ¥231.0 billion. Overseas sales increased 18.8%, to ¥113.3 billion, while the overseas sales ratio raised from overseas activities rose 0.1 percentage point, to 32.9%. The acquisition of BT Industries was considered to have taken place at the end of the first half of the current fiscal year, although TOYODA actually acquired BT Industries in June 2000. Therefore, BT Industries' financial data are not included in the consolidated statements of income and are only consolidated in the balance sheets.

Profit and Loss

Cost of sales during the period under review rose 16.3% over the corresponding period of the previous fiscal year, to ¥302.8 billion, while selling, general and administrative expenses rose 3.7%, to ¥19.9 billion. However, operating income increased 83.4% over the corresponding period of the previous fiscal year, to ¥21.5 billion. The cost of sales ratio improved 1.4 percentage points from the corresponding period of the previous year, to 88.0%. This was achieved through the enhancement of the facility utilization ratio, stemming from improved productivity and production efficiency, cost reduction, and other factors. Furthermore, the operating margin during the period under review increased 2.2 percentage points, to 6.2%. Other income during the period totaled ¥5.5 billion, due mainly to a decrease in income from sales of securities. Additionally, other expenses were reduced ¥2.3 billion, to ¥6.9 billion, due to lower equity in loss of affiliates and other factors. Due to the introduction of the new accounting standards for retirement benefits during the period under review, the aggregate funding shortfall of ¥19.1 billion was disposed of as a special loss. In order to compensate for this loss, a special gain of ¥15.1 billion was established through the contribution of certain investment securities held by TOYODA to an employee retirement benefit trust.

As a result of the above activities, income before income taxes rose ¥3.1 billion, to ¥13.8 billion.

Further, net income for the period under review rose ¥3.0 billion from the corresponding period of the previous fiscal year, to ¥8.0 billion. Return on sales rose 0.6 percentage point from the corresponding period of the previous fiscal year, to 2.3%.