

Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 2016 [Japan GAAP]

Name of Company:	Takeuchi Mfg. Co., Ltd.
Stock Code:	6432
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	http://www.takeuchi-mfg.co.jp/
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Date of quarterly securities report (tentative):	January 13, 2017
Date of commencement of dividend payment (tentative):	-
Quarterly earnings supplementary explanatory documents:	No
Quarterly earnings presentation:	No

(Yen in millions, rounded down)

1. Financial results for the first three quarters of the fiscal year ending February 2017 (March 1, 2016 – November 30, 2016)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters ended Nov. 2016	66,262	(2.5)	11,676	(8.2)	10,061	(21.9)	6,610	(17.7)
First three quarters ended Nov. 2015	67,988	25.7	12,724	59.9	12,887	38.3	8,036	38.0

Note: Comprehensive income: First three quarters of FY2/2017: 4,312 million yen (-44.7%),
First three quarters of FY2/2016: 7,794 million yen (+27.1%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Nov. 2016	137.92		-	
First three quarters ended Nov. 2015	164.02		-	

Note: There was a 3-for-1 stock split on September 1, 2015. Earnings per share is presented as if this split had taken place at the beginning of the previous fiscal year.

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of November 30, 2016	78,922		56,303		71.3	
As of February 29, 2016	77,216		55,043		71.3	

Notes: Shareholders' equity

As of November 30, 2016: 56,303 million yen As of February 29, 2016: 55,043 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen				
Fiscal year ended February 2016	-	0.00	-	22.00	22.00
Fiscal year ending February 2017	-	0.00	-		
Fiscal year ending February 2017 (est.)			-	26.00	26.00

Note: Change in the estimation of dividend from the latest announcement: No

3. Forecast for the fiscal year ending February 2017 (Consolidated, March 1, 2016 - February 28, 2017)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	80,500	(5.5)	13,000	(19.9)	11,600	(24.1)	7,700	(20.7)	160.86

Note: Change in the forecast from the latest announcement: None

* Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

Note: Please see 2. Other information (3) Changes in accounting principles and estimates, and retrospective restatement on page 3

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of November 30, 2016: 48,999,000 As of February 29, 2016: 48,999,000

(b) Treasury shares

As of November 30, 2016: 1,311,158 As of February 29, 2016: 3,858

(c) Average number of shares (quarterly consolidated cumulative period)

Period ended November 30, 2016: 47,927,654 Period ended November 30, 2015: 48,995,304

Note: There was a 3-for-1 stock split on September 1, 2015. The number of shares outstanding (common stock) is presented as if this split had taken place at the beginning of the previous fiscal year

* Description of quarterly review procedure implementation status

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results.

It has been completed the quarterly review procedure process based upon the Financial Instruments and Exchange Act at the time of disclosure of this report.

* Cautionary statement regarding forecasts of operating results and special notes

(1) Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "(3) Forecast for the current fiscal year" on page 3.

(2) Change in monetary unit

In previous earnings announcements, figures denominated in yen have been shown in units of thousands. Starting with the first quarter of the current fiscal year, these figures are instead shown in units of millions. To facilitate comparisons, figures for the first three quarters of the previous fiscal year and the entire fiscal year have been revised to units of millions.

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1. Results of Operations

(1) Overview on consolidated business performance

During the first three quarters of the fiscal year, the economy of the United States, which is a major market for the Takeuchi Group, expanded slowly with the support of solid growth in consumer spending as the job market recovered. In Europe, another major market for the group, the British economy remained healthy with the backing of robust consumer spending as the country avoided an economic downturn following the decision to leave the EU. In other areas of Europe, economies grew at a moderate pace as consumer spending improved along with a gradual upturn in the number of jobs.

Due to heightened sales activities in the United States and Europe and growth in demand in both regions, the sales volume of compact excavators, hydraulic excavators and track loaders was higher than in the same period of the previous fiscal year. However, sales decreased because of the yen's strength. As a result, sales in the first three quarters totaled 66,262 million yen, down 2.5% from one year earlier.

Operating income decreased 8.2% to 11,676 million yen because lower translations of foreign currency denominated sales due to the yen's strength offset the benefit of the growth in sales volume. Ordinary income was down 21.9% to 10,061 million yen because of a 1,546 million yen foreign exchange loss and other items. After taxes of 3,456 million yen and other items, profit attributable to owners of parent decreased 17.7% to 6,610 million yen.

Geographic segment performance was as follows:

(a) Japan

Sales decreased 0.1% to 23,176 million yen as the number of compact excavators and hydraulic excavators for sale in Europe was about the same as one year earlier. Segment income decreased 27.9% to 8,592 million yen because lower translations of foreign currency denominated sales due to the yen's strength offset the benefit of an increase in sales to sales subsidiaries.

(b) United States

Sales decreased 3.6% to 32,944 million yen. Although the sales volume of compact excavators and track loaders was higher, sales declined because of the impact of the yen's strength on conversions of U.S. dollar-denominated sales. Segment income was up 13.8% to 2,095 million yen.

(c) United Kingdom

Sales decreased 12.1% to 6,964 million yen as lower yen translations of British pound-denominated sales offset the increase in the sales volume of compact excavators. Segment income was down 24.6% to 292 million yen.

(d) France

Sales increased 36.5% to 2,752 million yen because of growth in the sales volume of compact excavators and hydraulic excavators. Segment income was up 344.1% to 158 million yen.

(e) China

Sales decreased 36.5% to 424 million yen because of a decline in the sales volume of compact excavators caused mainly by slower economic growth. Segment income was 152 million yen compared with a loss of 662 million yen one year earlier.

(2) Overview of financial condition

Assets were 78,922 million yen at the end of the third quarter, 1,706 million yen more than at the end of the previous fiscal year. The main reasons were a 2,675 million yen decrease in inventories and increases of 2,998 million yen in cash and deposits and 3,030 million yen in notes and accounts receivable-trade.

Liabilities increased 447 million yen to 22,619 million yen mostly because of a 316 million yen increase in notes and accounts payable.

Net assets increased 1,259 million yen to 56,303 million yen. Retained earnings increased 6,610 million yen mainly because of profit attributable to owners of parent. However, there was a decrease of 1,077 million yen due to dividend payments and a 2,261 million yen decrease in foreign currency translation adjustments. In addition, treasury shares, which are deducted from net assets, increased 1,975 million yen due to the repurchase of stock.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on September 28, 2016 for consolidated results of operations in the fiscal year ending in February 2017. For more information, please see the September 28 news release concerning revisions to the first half and fiscal year forecasts.

These forecasts are based on exchange rates of 100 yen to the US dollar, 133 yen to the British pound, 113 yen to the euro and 15 yen to the yuan during the rest of the fiscal year.

2. Other Information

(1) Changes in significant subsidiaries:

None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements:

None

(3) Changes in accounting principles and estimates, and retrospective restatement:

Changes in accounting principle

(Application of accounting standard for business combinations, etc.)

Beginning with the current fiscal year, the Company is using Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). There are revisions to the presentation of net income and other items. To reflect these changes in the presentation of the financial statements, the first three quarters consolidated financial statements for the previous fiscal year have been revised.

(Application of practical solution on a change in depreciation method due to tax reform 2016)

In association with amendments to Japan's Corporate Income Tax Act, the Company is applying Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ PITF No. 32, June 17, 2016) beginning with the first quarter of the fiscal year ending in February 2017. As a result, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

These changes had negligible effect on the financial statements for the current fiscal year.

(4) Supplementary information

(Compensation linked to results of operations)

The Takeuchi board of directors approved a resolution on April 8, 2016 to establish a compensation system for directors (except outside directors and directors who are members of the Audit and Supervisory Committee, same hereafter in this section) that is linked to results of operations. A resolution to establish this system was subsequently approved by shareholders at the annual meeting held on May 27, 2016. The purpose is to increase the directors' commitment to the medium to long-term growth of Takeuchi's corporate value and earnings by more clearly linking their compensation with the company's stock price.

1) Summary

This compensation system uses a trust called the Board Incentive Plan (BIP) Trust, which is based on the Performance Share system and Restricted Stock compensation system in the U.S. When a director's term of office ends, the individual receives an amount of Takeuchi stock and a payment resulting from the conversion of stock to cash that are based on the degree to which a consolidated operating margin was reached and the individual's executive position at Takeuchi.

2) Takeuchi stock in the BIP Trust

Takeuchi stock in the BIP Trust is included in treasury shares, which is part of net assets, at the book value of the stock (excluding associated expenses). On November 30, 2016, treasury shares included 57,300 shares held by the BIP Trust with a book value of 80 million yen.

3. Material Events Related to Going Concern Assumptions

None

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended February 2016 (As of February 29, 2016)	Third quarter ended November 2016 (As of November 30, 2016)
ASSETS		
Current assets		
Cash and deposits	20,580	23,579
Notes and accounts receivable-trade	21,281	24,312
Merchandise and finished goods	15,975	14,195
Work in process	1,346	859
Raw materials and supplies	3,051	2,642
Deferred tax assets	2,694	2,168
Other	2,812	1,983
Allowance for doubtful accounts	(1,731)	(1,343)
Total current assets	66,010	68,397
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,208	5,113
Machinery, equipment and vehicles, net	1,426	1,511
Land	2,178	2,001
Other, net	924	447
Total property, plant and equipment	9,737	9,072
Intangible assets	812	716
Investments and other assets		
Other	679	760
Allowance for doubtful accounts	(24)	(23)
Total investments and other assets	655	736
Total noncurrent assets	11,205	10,525
Total assets	77,216	78,922

(Million yen)

	Fiscal year ended February 2016 (As of February 29, 2016)	Third quarter ended November 2016 (As of November 30, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	16,366	16,682
Income taxes payable	1,586	542
Provision for bonuses	173	77
Provision for product warranties	1,058	1,254
Other	1,602	2,748
Total current liabilities	20,787	21,305
Noncurrent liabilities		
Provision for directors' retirement benefits	267	-
Provision for directors' stock benefits	-	12
Provision for loss on guarantees	119	104
Other	997	1,196
Total noncurrent liabilities	1,384	1,313
Total liabilities	22,172	22,619
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	46,647	52,179
Treasury shares	(3)	(1,978)
Total shareholders' equity	53,907	57,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	16
Foreign currency translation adjustment	931	(1,330)
Remeasurements of defined benefit plans	194	151
Total accumulated other comprehensive income	1,136	(1,161)
Total net assets	55,043	56,303
Total liabilities and net assets	77,216	78,922

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(For the first three quarters)

(Million yen)

	First three quarters ended November 2015 (March 1, 2015 – November 30, 2015)	First three quarters ended November 2016 (March 1, 2016 – November 30, 2016)
Net sales	67,988	66,262
Cost of sales	49,146	49,086
Gross profit	18,842	17,176
Selling, general and administrative expenses		
Haulage expenses	1,955	1,664
Provision for product warranties	456	731
Provision of allowance for doubtful accounts	459	(80)
Provision for loss on guarantees	37	-
Directors' compensations	179	181
Salaries and allowances	1,167	1,134
Provision for bonuses	5	40
Retirement benefit expenses	8	11
Provision for directors' retirement benefits	9	3
Provision for directors' stock benefits	-	12
Other	1,839	1,799
Total selling, general and administrative expenses	6,118	5,499
Operating income	12,724	11,676
Non-operating income		
Interest income	34	18
Dividends income	3	30
Foreign exchange gains	74	-
Insurance premiums refunded cancellation	-	26
Other	68	38
Total non-operating income	180	114
Non-operating expenses		
Interest expenses	4	4
Foreign exchange losses	-	1,546
Other	12	179
Total non-operating expenses	16	1,729
Ordinary income	12,887	10,061
Extraordinary income		
Gain on sales of investment securities	0	5
Total extraordinary income	0	5
Profit before income taxes	12,887	10,066
Income taxes - current	4,676	3,138
Income taxes - deferred	175	318
Total income taxes	4,851	3,456
Profit	8,036	6,610
Profit attributable to owners of parent	8,036	6,610

(Quarterly consolidated statements of comprehensive income)
(For the first three quarters)

(Million yen)

	First three quarters ended November 2015 (March 1, 2015 – November 30, 2015)	First three quarters ended November 2016 (March 1, 2016 – November 30, 2016)
Profit	8,036	6,610
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	6
Foreign currency translation adjustment	(192)	(2,261)
Remeasurements of defined benefit plans, net of tax	(38)	(42)
Total other comprehensive income	(242)	(2,297)
Comprehensive income	7,794	4,312
Comprehensive income attributable to owners of parent	7,794	4,312
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

The Board of Directors approved a resolution on April 8, 2016 to repurchase 1,250,000 shares of stock. The repurchase of this stock resulted in a 1,894 million yen increase in treasury shares during the first quarter. The repurchase of stock in accordance with the April 8, 2016 resolution was completed on April 18, 2016.

In addition, there was an 80 million yen increase in treasury shares resulting from the purchase of Takeuchi stock by the Board Incentive Plan Trust following the establishment of this trust.

As a result, treasury shares totaled 1,978 million yen on November 30, 2016.

(Segment information)

I. For the first three quarters ended November 2015 (March 1, 2015 – November 30, 2015)

Information about sales and income (loss) by reporting segments

	Reporting segments					Total	Adjustments (Note 1)	Amount on the quarterly consolidated statements of income (Note 2)
	Japan	USA	UK	France	China			
Net sales (of which to outside customers)	23,195	34,185	7,922	2,016	668	67,988	-	67,988
(of which inter- segment)	33,590	0	40	21	907	34,559	(34,559)	-
Total	56,785	34,185	7,963	2,038	1,575	102,548	(34,559)	67,988
Segment income (loss)	11,912	1,841	387	35	(662)	13,514	(790)	12,724

- Notes:
1. Adjustment in segment income of -790 million yen includes -26 million yen for elimination of inter-segment trade and -763 million yen for corporate expenses which has not been distributed in the segments. The corporate expenses are general expenses that are not attributed to the segments.
 2. Segment income (loss) is adjusted for operating income (loss) on the quarterly consolidated statements of income.

II. For the first three quarters ended November 2016 (March 1, 2016 – November 30, 2016)

Information about sales and income (loss) by reporting segments

	Reporting segments					Total	Adjustments (Note 1)	Amount on the quarterly consolidated statements of income (Note 2)
	Japan	USA	UK	France	China			
Net sales (of which to outside customers)	23,176	32,944	6,964	2,752	424	66,262	-	66,262
(of which inter- segment)	36,587	0	68	10	884	37,552	(37,552)	-
Total	59,763	32,945	7,033	2,763	1,308	103,815	(37,552)	66,262
Segment income	8,592	2,095	292	158	152	11,291	384	11,676

- Notes:
1. Adjustment in segment income of 384 million yen includes 1,225 million yen for elimination of inter-segment trade and -840 million yen for corporate expenses which has not been distributed in the segments. The corporate expenses are general expenses that are not attributed to the segments.
 2. Segment income (loss) is adjusted for operating income (loss) on the quarterly consolidated statements of income.

(Subsequent events)

None