

Summary of Consolidated Financial Results For the First Half Ended August 31, 2017 [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/>
 Representative Title: President & Representative Director
 Name: Akio Takeuchi
 Contact Person Title: Manager of Business Management Department
 Name: Osamu Kobayashi
 Phone: +81-(0)268-81-1200
 Date of quarterly securities report (tentative): October 13, 2017
 Date of commencement of dividend payment (tentative): -
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings presentation: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending February 2018 (March 1, 2017 – August 31, 2017)

(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 half ended August 2017	52,336	12.2	8,269	(15.3)	8,361	0.1	5,788	6.0
First half ended August 2016	46,625	(0.5)	9,765	3.6	8,357	(14.2)	5,460	(11.5)

Note: Comprehensive income: First half of FY2/2018: 5,186 million yen (+50.9 %), First half of FY2/2017: 3,437 million yen (-45.6%)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended August 2017	121.39	-
First half ended August 2016	113.65	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2017	90,101	64,026	71.1
As of February 28, 2017	83,085	60,080	72.3

Reference: Shareholders' equity

As of August 31, 2017: 64,026 million yen As of February 28, 2017 60,080 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 2017	-	0.00	-	26.00	26.00
Fiscal year ending February 2018	-	0.00	-	-	-
Fiscal year ending February 2018 (est.)	-	-	-	32.00	32.00

Note: Change in the estimation of dividend from the latest announcement: Yes

3. Forecast for the fiscal year ending February 2018 (Consolidated, March 1, 2017 to February 28, 2018)

(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	90,000	8.4	12,650	(5.6)	12,700	8.3	8,800	13.4	184.53

Note: Change in the forecast from the latest announcement: Yes

* 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: None

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

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of August 31, 2017: 48,999,000 As of February 28, 2017: 48,999,000

(b) Treasury shares

As of August 31, 2017: 1,309,568 As of February 28, 2017: 1,311,158

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

Period ended August 31, 2017: 47,688,548 Period ended August 31, 2016: 48,046,257

* This report is exempt from the quarterly audit review.

* Cautionary statement regarding forecasts of operating results and special notes

(1) Forward-looking statements

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) To receive quarterly earnings supplementary explanatory documents and other information of quarterly earnings presentation

The first half earnings presentation for institutional investors and analysts will be held on October 19, 2017. The documents will be posted promptly on the company's website after the presentation.

Index for Supplementary Information

1. Results of Operations	2
(1) Overview on consolidated business performance	2
(2) Overview of financial condition	3
(3) Forecast for the current fiscal year.....	3
2. Quarterly Consolidated Financial Statements and Important Notes	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	6
(Quarterly consolidated statements of income).....	6
For the first half (March 1, 2017 – August 31, 2017)	6
(Quarterly consolidated statements of comprehensive income)	7
For the first half (March 1, 2017 – August 31, 2017)	7
(3) Quarterly consolidated statements of cash flows	8
(4) Notes to quarterly consolidated financial statement	9
(Notes to going concern assumptions)	9
(Significant change in shareholders' equity).....	9
(Segment information, other).....	9
(Subsequent events)	10

1. Results of Operations

(1) Overview on consolidated business performance

The United States and Europe are the major markets for the Takeuchi Group. In the United States, the economy continued to expand slowly during the first half of the fiscal year. Growth was supported by firm growth of consumer spending as the labor market continues to recover and by the increasing momentum of the recovery in capital expenditures. In Britain, the pace of economic growth declined as consumer spending slowed amid uncertainty about Brexit negotiations. In other European countries, economic growth has expanded to cover almost all eurozone countries. Consumer spending is firm because of an improving labor market and there is a recovery in the volume of investments.

Due to growth of its sales networks in the United States and Europe and to increasing demand in these regions, the Takeuchi Group's first half sales volume of compact excavators, hydraulic excavators and track loaders was higher than one year earlier.

First half sales increased 12.2% to 52,336 million yen but Operating income was down 15.3% to 8,269 million yen. Although the volume of sales increased, earnings were impacted by a decline in yen conversions of British pound-denominated sales caused by the yen's strength and by unrealized income. Ordinary income increased 0.1% to 8,361 million yen because the foreign exchange loss was smaller than one year earlier. After income taxes of 2,572 million yen and other items, profit attributable to owners of parent increased 6.0% to 5,788 million yen.

Geographic segment performance was as follows.

(a) Japan

Sales increased 15.3% to 18,152 million yen because of growth in the number of compact excavators for sale in Europe. Segment income decreased 8.6% to 5,709 million yen. The main reasons were a decline in sales to sales subsidiaries and lower yen conversions of British pound-denominated sales as the yen appreciated.

(b) United States

Sales increased 9.8% to 25,912 million yen because of growth in the sales volume of compact excavators, hydraulic excavators and track loaders. Segment income fell 44.0% to 865 million yen due to an increase in the price of products imported from Japan.

(c) United Kingdom

Sales increased 13.5% to 5,571 million yen. Growth in the sales volume of compact excavators and hydraulic excavators more than offset the negative impact of the yen's strength on conversions of British pound-denominated sales. Segment income was up 52.2% to 293 million yen.

(d) France

Sales increased 31.2% to 2,610 million yen because of an increase in the sales volume of compact excavators and hydraulic excavators. Segment income was up 66.5% to 205 million yen.

(e) China

Sales fell 76.1% to 89 million yen because of a downturn in the sales volume of hydraulic excavators. Segment income increased 274.8% to 229 million yen, which was mainly the result of growth in the supply of parts to Japan and a reversal of the allowance for doubtful accounts.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets were 90,101 million yen at the end of the first half, 7,016 million yen more than at the end of the previous fiscal year. Inventories decreased 6,228 million yen but there were increases of 3,175 million yen in cash and deposits and 10,687 million yen in notes and accounts receivable.

Liabilities increased 3,069 million yen to 26,074 million yen primarily because of a 2,997 million yen increase in notes and accounts payable-trade.

Net assets increased 3,946 million yen to 64,026 million yen. While retained earnings increased 5,788 million yen because of profit attributable to owners of parent and was a decrease of 1,241 million yen due to dividends paid and a decrease of 562 million yen in foreign currency translation adjustments.

(b) Cash flows

Cash and cash equivalents increased 3,169 million yen from the end of the previous fiscal year to 26,802 million yen. The following is a summary of cash flows in the first half of the fiscal year.

(Operating activities)

Net cash provided by operating activities increased 3,160 million yen to 6,017 million yen. Cash was used for a 10,929 million yen increase in notes and accounts receivable-trade and major sources of cash were profit before income taxes of 8,361 million yen, a 5,562 million yen decrease in inventories and a 3,469 million yen increase in notes and accounts payable-trade.

(Investing activities)

Cash used in investing activities decreased 305 million yen to 660 million yen. The purchase of investment securities of 300 million yen and purchase of property, plant and equipment of 281 million yen were the major uses of cash.

(Financing activities)

Cash used in financing activities decreased 1,806 million yen to 1,247 million yen. The main use of cash was cash dividends paid of 1,240 million yen.

(3) Forecast for the current fiscal year

The forecast for the fiscal year ending in February 2018 that was announced on April 11, 2017 has been revised. For information about this revision, please see the October 10, 2017 press release titled "Notice of Revisions to Forecasts for Results of Operations and Dividend for the Fiscal Year Ending in February 2018."

The exchange rate assumptions for this forecast are 110 yen to the U.S. dollar, 146 yen to the British pound, 128 yen to the euro and 16.6 yen to the yuan.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended February 2017 (As of February 28, 2017)	First half ended August 2017 (As of August 31, 2017)
ASSETS		
Current assets		
Cash and deposits	24,211	27,386
Notes and accounts receivable-trade	21,490	32,177
Merchandise and finished goods	20,159	13,758
Work in process	1,163	1,087
Raw materials and supplies	2,283	2,531
Deferred tax assets	2,647	2,022
Other	1,915	1,608
Allowance for doubtful accounts	(1,593)	(1,421)
Total current assets	72,278	79,152
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,265	5,163
Machinery, equipment and vehicles, net	1,484	1,325
Land	2,069	2,077
Other, net	414	409
Total property, plant and equipment	9,234	8,975
Intangible assets	736	699
Investments and other assets		
Other	859	1,296
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	835	1,273
Total noncurrent assets	10,806	10,948
Total assets	83,085	90,101

(Million yen)

	Fiscal year ended February 2017 (As of February 28, 2017)	First half ended August 2017 (As of August 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	16,997	19,995
Income taxes payable	1,324	1,733
Provision for bonuses	189	243
Provision for product warranties	1,174	1,126
Other	1,997	1,779
Total current liabilities	21,683	24,879
Noncurrent liabilities		
Provision for directors' stock benefits	17	22
Provision for loss on guarantees	86	47
Net defined benefit liability	30	29
Other	1,186	1,095
Total noncurrent liabilities	1,321	1,195
Total liabilities	23,005	26,074
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	53,327	57,874
Treasury shares	(1,978)	(1,976)
Total shareholders' equity	58,612	63,162
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26	24
Foreign currency translation adjustment	1,261	699
Remeasurements of defined benefit plans	178	140
Total accumulated other comprehensive income	1,467	864
Total net assets	60,080	64,026
Total liabilities and net assets	83,085	90,101

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 For the first half (March 1, 2017 – August 31, 2017)

(Million yen)

	First half ended August 2016 (March 1, 2016 – August 31, 2016)	First half ended August 2017 (March 1, 2017 – August 31, 2017)
Net sales	46,625	52,336
Cost of sales	33,224	40,263
Gross profit	13,401	12,073
Selling, general and administrative expenses		
Haulage expenses	1,100	1,182
Provision for product warranties	374	460
Provision of allowance for doubtful accounts	(29)	(130)
Provision for loss on guarantees	-	(37)
Directors' compensations	117	115
Salaries and allowances	737	767
Provision for bonuses	63	68
Retirement benefit expenses	7	6
Provision for directors' retirement benefits	3	-
Provision for directors' stock benefits	8	7
Other	1,252	1,363
Total selling, general and administrative expenses	3,635	3,803
Operating income	9,765	8,269
Non-operating income		
Interest income	11	13
Dividends income	30	1
Gain on valuation of derivatives	-	82
Other	50	48
Total non-operating income	92	146
Non-operating expenses		
Interest expenses	3	1
Loss on retirement of non-current assets	17	29
Foreign exchange losses	1,469	22
Other	10	0
Total non-operating expenses	1,500	53
Ordinary income	8,357	8,361
Extraordinary income		
Gain on sales of investment securities	5	-
Total extraordinary income	5	-
Profit before income taxes	8,362	8,361
Income taxes - current	2,218	2,075
Income taxes - deferred	683	497
Total income taxes	2,901	2,572
Profit	5,460	5,788
Profit attributable to owners of parent	5,460	5,788

(Quarterly consolidated statements of comprehensive income)

For the first half (March 1, 2017 – August 31, 2017)

(Million yen)

	First half ended August 2016 (March 1, 2016 – August 31, 2016)	First half ended August 2017 (March 1, 2017 – August 31, 2017)
Profit	5,460	5,788
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(2)
Foreign currency translation adjustment	(1,995)	(562)
Remeasurements of defined benefit plans, net of tax	(27)	(38)
Total other comprehensive income	(2,022)	(602)
Comprehensive income	3,437	5,186
Comprehensive income attributable to owners of parent	3,437	5,186
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended August 2016 (March 1, 2016 – August 31, 2016)	First half ended August 2017 (March 1, 2017 – August 31, 2017)
Cash flows from operating activities		
Profit before income taxes	8,362	8,361
Depreciation	665	604
Increase (decrease) in allowance for doubtful accounts	(56)	(144)
Increase (decrease) in provision for bonuses	52	54
Increase (decrease) in provision for product warranties	80	(22)
Increase (decrease) in net defined benefit asset	(18)	(76)
Increase (decrease) in provision for directors' retirement benefits	(267)	-
Increase (decrease) in provision for directors' stock benefit	8	6
Increase (decrease) in provision for loss on guarantees	26	(37)
Interest and dividend income	(42)	(15)
Interest expenses	3	1
Foreign exchange losses (gains)	(983)	851
Loss (gain) on sales of investment securities	(5)	-
Loss (gain) on sales of non-current assets	(1)	(2)
Loss on retirement of non-current assets	17	29
Decrease (increase) in notes and accounts receivable - trade	(7,778)	(10,929)
Decrease (increase) in inventories	906	5,562
Increase (decrease) in notes and accounts payable - trade	3,461	3,469
Decrease (increase) in other assets	1	(87)
Increase (decrease) in other liabilities	333	(198)
Other	(6)	(11)
Subtotal	4,758	7,418
Interest and dividend income received	42	15
Interest expenses paid	(2)	(1)
Income taxes paid	(1,941)	(1,413)
Cash flows from operating activities	2,857	6,017
Cash flows from investing activities		
Decrease (increase) in time deposits	(5)	(5)
Purchase of securities	-	(300)
Proceeds from redemption of securities	-	300
Purchase of property, plant and equipment	(808)	(281)
Proceeds from sales of property, plant and equipment	2	2
Purchase of intangible assets	(88)	(75)
Purchase of investment securities	(100)	(300)
Proceeds from sales of investment securities	9	-
Payments of loans receivable	(0)	-
Collection of loans receivable	0	0
Other	25	(0)
Cash flows from investing activities	(965)	(660)
Cash flows from financing activities		
Purchase of treasury shares	(1,975)	-
Proceeds from sales of treasury shares	-	0
Cash dividends paid	(1,071)	(1,240)
Repayments of lease obligations	(6)	(7)
Cash flows from financing activities	(3,053)	(1,247)
Effect of exchange rate change on cash and cash equivalents	355	(940)
Net increase (decrease) in cash and cash equivalents	(807)	3,169
Cash and cash equivalents at beginning of period	20,002	23,633
Cash and cash equivalents at end of period	19,195	26,802

(4) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information, other)

[Segment information]

I. For the first half ended August 2016 (March 1, 2016 – August 31, 2016)

Information about sales and income by reporting segments

(Million yen)

	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)	15,745	23,606	4,909	1,989	374	46,625	-	46,625
(of which inter- segment)	24,011	0	47	7	544	24,611	(24,611)	-
Total	39,757	23,607	4,957	1,996	919	71,237	(24,611)	46,625
Segment income	6,248	1,546	192	123	61	8,172	1,592	9,765

- Notes:
1. Adjustment in segment income of 1,592 million yen includes 2,160 million yen for elimination of inter-segment trade and -567 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 is adjusted for operating income on the quarterly consolidated statements of income.

II. For the first half ended August 2017 (March 1, 2017 – August 31, 2017)

Information about sales and income by reporting segments

(Million yen)

	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)	18,152	25,912	5,571	2,610	89	52,336	-	52,336
(of which inter- segment)	22,704	-	26	2	731	23,464	(23,464)	-
Total	40,856	25,912	5,598	2,612	820	75,800	(23,464)	52,336
Segment income	5,709	865	293	205	229	7,302	966	8,269

- Notes:
1. Adjustment in segment income of 966 million yen includes 1,554 million yen for elimination of inter-segment trade and -587 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 is adjusted for operating income on the quarterly consolidated statements of income.

(Subsequent events)

None