

Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 2017 [Japan GAAP]

Name of Company: Takeuchi Mfg. Co., Ltd.
 Stock Code: 6432
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
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 Date of quarterly securities report (tentative): January 12, 2018
 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 2018 (March 1, 2017 – November 30, 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 three quarters ended Nov. 2017	74,209	12.0	11,292	(3.3)	11,487	14.2	7,904	19.6
First three quarters ended Nov. 2016	66,262	(2.5)	11,676	(8.2)	10,061	(21.9)	6,610	(17.7)

Note: Comprehensive income: First three quarters of FY2/2018: 7,540 million yen [74.8%],
 First three quarters of FY2/2017: 4,312 million yen [(44.7)%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Nov. 2017	165.76		-	
First three quarters ended Nov. 2016	137.92		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of November 30, 2017	89,638		66,381		74.1	
As of February 28, 2017	83,085		60,080		72.3	

Reference: Shareholders' equity

As of November 30, 2017: 66,381 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				
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: None

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: 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: 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 November 30, 2017: 48,999,000 As of February 28, 2017: 48,999,000

(b) Treasury shares

As of November 30, 2017: 1,309,568 As of February 28, 2017: 1,311,158

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

Period ended November 30, 2017: 47,688,841 Period ended November 30, 2016: 47,927,654

* This report is exempt from the quarterly audit review.

* Cautionary statement regarding forecasts of operating results and special notes

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.

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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, economic growth continued during the first three quarters of the fiscal year. Economic growth slowed briefly due to the impact of hurricanes. But firm growth in consumer spending continued as the labor market recovers and there is a clear rebound in capital expenditures. In Britain, the economy is healthy despite uncertainty about Brexit negotiations. The number of jobs is recovering and prices are rising. 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 capital expenditures.

To take advantage of increasing demand in the United States and Europe, the Takeuchi Group expanded its sales networks and conducted extensive sales activities. As a result, the group's sales volume of compact excavators, hydraulic excavators and track loaders in the first three quarters was higher than one year earlier.

Sales in the first three quarters increased 12.0% to 74,209 million yen, but operating income decreased 3.3% to 11,292 million yen because of the higher cost of raw materials and an increase in R&D expenses. Ordinary income increased 14.2% to 11,487 million yen and, after income taxes of 3,583 million yen and other items, profit attributable to owners of parent increased 19.6% to 7,904 million yen.

Geographic segment performance was as follows:

(a) Japan

Sales increased 8.0% to 25,026 million yen because of growth in the number of compact excavators for sale in Europe. Segment income increased 1.2% to 8,693 million yen primarily because the yen's value declined in relation to other major currencies.

(b) United States

Sales increased 11.0% to 36,572 million yen because of growth in the sales volume of compact excavators, hydraulic excavators and track loaders. Segment income, however, fell 46.6% to 1,118 million yen due to an increase in the prices of products imported from Japan.

(c) United Kingdom

Sales increased 27.0% to 8,843 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 yen conversions of British pound-denominated sales. Segment income was up 66.6% to 486 million yen.

(d) France

Sales increased 31.1% to 3,607 million yen because of an increase in the sales volume of compact excavators and hydraulic excavators. Segment income was up 71.1% to 271 million yen.

(e) China

Sales declined 62.4% to 159 million yen because of a downturn in the sales volume of hydraulic excavators. Segment income increased 103.2% to 310 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

Assets were 89,638 million yen at the end of the third quarter, 6,552 million yen more than at the end of the previous fiscal year. Inventories decreased 4,917 million yen but there were increases of 7,042 million yen in cash and deposits and 3,983 million yen in notes and accounts receivable-trade.

Liabilities increased 251 million yen to 23,257 million yen. There was a 232 million yen decrease in income taxes payable and a 646 million yen increase in notes and accounts payable-trade.

Net assets increased 6,300 million yen to 66,381 million yen. Retained earnings increased 7,904 million yen because of profit attributable to owners of parent, offset by 1,241 million yen decrease due to dividends paid and a decrease of 303 million yen in foreign currency translation adjustment.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on October 10, 2017 for consolidated results of operations in the fiscal year ending in February 2018.

These forecasts are based on exchange rates of 110 yen to the US dollar, 146 yen to the British pound, 128 yen to the euro and 16.6 yen to the yuan during the rest of the fiscal year.

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)	Third quarter ended November 2017 (As of November 30, 2017)
ASSETS		
Current assets		
Cash and deposits	24,211	31,254
Notes and accounts receivable-trade	21,490	25,474
Merchandise and finished goods	20,159	14,645
Work in process	1,163	936
Raw materials and supplies	2,283	3,106
Deferred tax assets	2,647	1,969
Other	1,915	2,688
Allowance for doubtful accounts	(1,593)	(1,518)
Total current assets	72,278	78,557
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,265	5,148
Machinery, equipment and vehicles, net	1,484	1,293
Land	2,069	2,099
Other, net	414	564
Total property, plant and equipment	9,234	9,104
Intangible assets	736	700
Investments and other assets		
Other	859	1,299
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	835	1,275
Total noncurrent assets	10,806	11,080
Total assets	83,085	89,638

(Million yen)

	Fiscal year ended February 2017 (As of February 28, 2017)	Third quarter ended November 2017 (As of November 30, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	16,997	17,644
Income taxes payable	1,324	1,092
Provision for bonuses	189	93
Provision for product warranties	1,174	1,195
Other	1,997	2,048
Total current liabilities	21,683	22,073
Noncurrent liabilities		
Provision for directors' stock benefits	17	26
Provision for loss on guarantees	86	42
Net defined benefit liability	30	30
Other	1,186	1,084
Total noncurrent liabilities	1,321	1,183
Total liabilities	23,005	23,257
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	53,327	59,990
Treasury shares	(1,978)	(1,976)
Total shareholders' equity	58,612	65,278
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26	23
Foreign currency translation adjustment	1,261	957
Remeasurements of defined benefit plans	178	121
Total accumulated other comprehensive income	1,467	1,102
Total net assets	60,080	66,381
Total liabilities and net assets	83,085	89,638

(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 2016 (March 1, 2016 – November 30, 2016)	First three quarters ended November 2017 (March 1, 2017 – November 30, 2017)
Net sales	66,262	74,209
Cost of sales	49,086	57,164
Gross profit	17,176	17,045
Selling, general and administrative expenses		
Haulage expenses	1,664	1,788
Provision for product warranties	731	626
Provision of allowance for doubtful accounts	(80)	(75)
Provision for loss on guarantees	-	(43)
Directors' compensations	181	173
Salaries and allowances	1,134	1,206
Provision for bonuses	40	48
Retirement benefit expenses	11	9
Provision for directors' retirement benefits	3	-
Provision for directors' stock benefits	12	11
Other	1,799	2,009
Total selling, general and administrative expenses	5,499	5,753
Operating income	11,676	11,292
Non-operating income		
Interest income	18	20
Dividends income	30	1
Foreign exchange gains	-	38
Gain on valuation of derivatives	-	107
Other	65	63
Total non-operating income	114	232
Non-operating expenses		
Interest expenses	4	1
Loss on retirement of non-current assets	24	31
Foreign exchange losses	1,546	-
Other	155	3
Total non-operating expenses	1,729	36
Ordinary income	10,061	11,487
Extraordinary income		
Gain on sales of investment securities	5	-
Total extraordinary income	5	-
Profit before income taxes	10,066	11,487
Income taxes - current	3,138	3,014
Income taxes - deferred	318	568
Total income taxes	3,456	3,583
Profit	6,610	7,904
Profit attributable to owners of parent	6,610	7,904

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

(Million yen)

	First three quarters ended November 2016 (March 1, 2016 – November 30, 2016)	First three quarters ended November 2017 (March 1, 2017 – November 30, 2017)
Profit	6,610	7,904
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(3)
Foreign currency translation adjustment	(2,261)	(303)
Remeasurements of defined benefit plans, net of tax	(42)	(57)
Total other comprehensive income	(2,297)	(364)
Comprehensive income	4,312	7,540
Comprehensive income attributable to owners of parent	4,312	7,540
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)
None

(Segment information)

- I. For the first three quarters ended November 2016 (March 1, 2016 – November 30, 2016)
Information about sales and income (loss) 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)	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 is adjusted for operating income on the quarterly consolidated statements of income.

- II. For the first three quarters ended November 2017 (March 1, 2017 – November 30, 2017)
Information about sales and income (loss) 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)	25,026	36,572	8,843	3,607	159	74,209	-	74,209
(of which inter- segment)	35,765	0	30	5	1,226	37,027	(37,027)	-
Total	60,792	36,572	8,874	3,612	1,385	111,237	(37,027)	74,209
Segment income	8,693	1,118	486	271	310	10,879	412	11,292

- Notes: 1. Adjustment in segment income of 412 million yen includes 1,293 million yen for elimination of inter-segment trade and -881 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