

## Summary of Consolidated Financial Results For the First Half Ended August 31, 2018 [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  
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 Date of quarterly securities report (tentative): October 12, 2018  
 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 2019 (March 1, 2018 – August 31, 2018)

(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 2018	59,832	14.3	9,187	11.1	9,338	11.7	6,927	19.7
First half ended August 2017	52,336	12.2	8,269	(15.3)	8,361	0.1	5,788	6.0

Note: Comprehensive income: 1H of FY Feb./2019: 6,310 million yen (+21.7%), 1H of FY Feb./2018: 5,186 million yen (+50.9%)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended August 2018	145.26	-
First half ended August 2017	121.39	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2018	103,440	72,710	70.3
As of February 28, 2018	91,799	68,106	74.2

Reference: Shareholders' equity

As of August 31, 2018: 72,710 million yen As of February 28, 2018: 68,106 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 2018	-	0.00	-	36.00	36.00
Fiscal year ending February 2019	-	0.00	-	-	-
Fiscal year ending February 2019 (est.)	-	-	-	45.00	45.00

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

### 3. Forecast for the fiscal year ending February 2019 (Consolidated, March 1, 2018 to February 28, 2019)

(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	106,000	12.4	13,800	(2.4)	13,800	(1.7)	10,100	5.8	211.76

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, 2018:	48,999,000	As of February 28, 2018:	48,999,000
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  - (b) Treasury shares
 

As of August 31, 2018:	1,301,198	As of February 28, 2018:	1,309,568
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  - (c) Average number of shares (quarterly consolidated)
 

Period ended August 31, 2018:	47,693,147	Period ended August 31, 2017:	47,688,548
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Note: Treasury shares include shares held by the Board Incentive Plan Trust (55,710 shares as of February 28, 2018 and 47,340 shares as of August 31, 2018).

\* 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 18, 2018. The documents will be posted promptly on the company's website after the presentation.

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## 1. Results of Operations

### (1) Overview on consolidated business performance

Economic conditions in the United States and Europe, which are the major markets of the Takeuchi Group, were generally favorable during the first half of the current fiscal year. In the United States, there are concerns about negative effects on the economy of higher tariffs on imports as the Trump administration steps up its trade protectionism. However, with unemployment low and consumer sentiment healthy, consumer spending is firm and companies continue to increase capital expenditures. In Europe, uncertainty about the economy has been avoided for the time being by a trade agreement between the United States and European Union. In addition, consumer spending is recovering as the number of jobs climbs and capital expenditures are increasing in the construction sector. As a result, the European economy was healthy. In Britain, the economic outlook will probably remain unclear for a while despite a rebound in consumer spending. The most critical phase of Brexit negotiations is about to begin and Britain's capital expenditures are weakening.

Demand for products of the Takeuchi Group was strong during the first half in the United States and Europe. Sales of a new track loader started in January 2018 and a new compact excavator was launched in March. Due to extensive sales activities, first half sales volume was higher than one year earlier for compact excavators, hydraulic excavators and track loaders.

Sales were 59,832 million yen, 14.3% higher than one year earlier. Earnings were higher as well as the sales growth more than offset an increase in the cost of raw materials and higher transportation expenses associated with the larger sales volume. Operating income increased 11.1% to 9,187 million yen and ordinary income increased 11.7% to 9,338 million yen. After income taxes of 2,608 million yen and other items, profit attributable to owners of parent increased 19.7% to 6,927 million yen.

Geographic segment performance was as follows.

#### (a) Japan

The number of compact excavators and hydraulic excavators for sale in Europe increased in part because of the introduction of a new compact excavator in March 2018. Sales were up 12.6% to 20,448 million yen and segment income increased 8.5% to 6,192 million yen.

#### (b) United States

The sales volume of compact excavators, hydraulic excavators and track loaders increased. One reason was the January 2018 launch of a new track loader. As a result, sales increased 9.3% to 28,311 million yen and segment income was up 77.8% to 1,538 million yen.

#### (c) United Kingdom

Sales increased 31.0% to 7,298 million yen mainly because of growth in the sales volume of compact excavators and hydraulic excavators. Segment income was up 45.7% to 427 million yen.

#### (d) France

The sales volume of compact excavators and hydraulic excavators was higher, resulting in a 32.3% increase in sales to 3,452 million yen. Segment income fell 30.8% to 142 million yen. The primary reasons were higher prices of products imported from Japan and an increase in marketing expenses.

#### (e) China

Sales were up 260.0% to 321 million yen as the sales volume of compact excavators and hydraulic excavators increased. Segment income increased 15.0% to 263 million yen. Growth in the volume of parts exported to Japan and a reversal of the allowance for doubtful accounts were the primary reasons.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets were 103,440 million yen at the end of the first half, 11,640 million yen more than at the end of the previous fiscal year. There were increases of 1,472 million yen in cash and deposits and, due to sales growth, 9,314 million yen in notes and accounts receivable-trade and 833 million yen in inventories.

Liabilities increased 7,037 million yen to 30,730 million yen primarily because of a 6,080 million yen increase in notes and accounts payable-trade associated with the increase in production volume.

Net assets increased 4,603 million yen to 72,710 million yen. Retained earnings increased 6,927 million yen because of first half profit attributable to owners of parent, but there was a decrease of 1,718 million yen due to dividends paid and there was a 577 million yen decrease in foreign currency translation adjustments.

(b) Cash flows

Cash and cash equivalents increased 1,460 million yen during the first half of the current fiscal year to 31,872 million yen. The following is a summary of cash flows.

(Operating activities)

Net cash provided by operating activities decreased 1,792 million yen from one year earlier to 4,224 million yen. Cash was used for a 9,609 million yen increase in notes and accounts receivable-trade and a 1,503 million yen increase in inventories. Major sources of cash were profit before income taxes of 9,536 million yen and a 6,730 million yen increase in notes and accounts payable-trade.

(Investing activities)

Cash used in investing activities increased 172 million yen to 832 million yen. The purchase of property, plant and equipment of 849 million yen and purchase of investment securities of 301 million yen were the major uses of cash. The major source of cash was proceeds of 386 million yen from the sale of the industrial agitator business.

(Financing activities)

Cash used in financing activities increased 463 million yen to 1,710 million yen. The main use of cash was cash dividends paid of 1,710 million yen.

(3) Forecast for the current fiscal year

The forecast for the fiscal year ending in February 2019 that was announced on April 10, 2018 has been revised. For information about this revision, please see the October 10, 2018 press release titled "Notice of Revisions to Forecasts for Results of Operations and Dividend for the Fiscal Year Ending in February 2019."

The exchange rate assumptions for this forecast are 109 yen to the U.S. dollar, 142 yen to the British pound, 127 yen to the euro and 15.8 yen to the yuan.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended February 2018 (As of February 28, 2018)	First half ended August 2018 (As of August 31, 2018)
<b>ASSETS</b>		
Current assets		
Cash and deposits	30,990	32,462
Notes and accounts receivable-trade	22,452	31,767
Merchandize and finished goods	19,358	19,747
Work in process	1,522	1,304
Raw materials and supplies	3,017	3,680
Deferred tax assets	2,098	1,850
Other	2,674	2,428
Allowance for doubtful accounts	(1,500)	(1,299)
Total current assets	80,614	91,941
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,330	5,121
Machinery, equipment and vehicles, net	1,268	1,278
Land	2,104	2,043
Other, net	454	871
Total property, plant and equipment	9,158	9,315
Intangible assets	713	619
Investments and other assets		
Other	1,334	1,585
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	1,313	1,563
Total noncurrent assets	11,185	11,498
Total assets	91,799	103,440

(Million yen)

	Fiscal year ended February 2018 (As of February 28, 2018)	First half ended August 2018 (As of August 31, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	17,572	23,652
Income taxes payable	1,966	2,175
Provision for bonuses	214	264
Provision for product warranties	1,178	1,487
Other	1,608	2,136
Total current liabilities	22,540	29,716
Noncurrent liabilities		
Provision for directors' stock benefits	30	24
Provision for loss on guarantees	22	17
Net defined benefit liability	41	39
Other	1,058	932
Total noncurrent liabilities	1,152	1,013
Total liabilities	23,692	30,730
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	61,633	66,842
Treasury shares	(1,976)	(1,965)
Total shareholders' equity	66,921	72,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22	7
Foreign currency translation adjustment	1,053	476
Remeasurements of defined benefit plans	109	84
Total accumulated other comprehensive income	1,185	568
Total net assets	68,106	72,710
Total liabilities and net assets	91,799	103,440

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

(Million yen)

	First half ended August 2017 (March 1, 2017 – August 31, 2017)	First half ended August 2018 (March 1, 2018 – August 31, 2018)
Net sales	52,336	59,832
Cost of sales	40,263	46,206
Gross profit	12,073	13,626
Selling, general and administrative expenses		
Haulage expenses	1,182	1,635
Provision for product warranties	460	687
Provision of allowance for doubtful accounts	(130)	(147)
Provision for loss on guarantees	(37)	(4)
Directors' compensations	115	100
Salaries and allowances	767	765
Provision for bonuses	68	80
Retirement benefit expenses	6	11
Provision for directors' stock benefits	7	5
Other	1,363	1,303
Total selling, general and administrative expenses	3,803	4,438
Operating income	8,269	9,187
Non-operating income		
Interest income	13	27
Dividends income	1	1
Foreign exchange gains	-	79
Gain on valuation of derivatives	82	-
Other	48	62
Total non-operating income	146	170
Non-operating expenses		
Loss on retirement of non-current assets	29	7
Foreign exchange losses	22	-
Loss on valuation of derivatives	-	11
Other	2	0
Total non-operating expenses	53	19
Ordinary income	8,361	9,338
Extraordinary income		
Gain on transfer of business	-	198
Total extraordinary income	-	198
Profit before income taxes	8,361	9,536
Income taxes - current	2,075	2,400
Income taxes - deferred	497	208
Total income taxes	2,572	2,608
Profit	5,788	6,927
Profit attributable to owners of parent	5,788	6,927



(Quarterly consolidated statements of comprehensive income)  
(For the first half)

(Million yen)

	First half ended August 2017 (March 1, 2017 – August 31, 2017)	First half ended August 2018 (March 1, 2018 – August 31, 2018)
Profit	5,788	6,927
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(14)
Foreign currency translation adjustment	(562)	(577)
Remeasurements of defined benefit plans, net of tax	(38)	(25)
Total other comprehensive income	(602)	(617)
Comprehensive income	5,186	6,310
Comprehensive income attributable to owners of parent	5,186	6,310
Comprehensive income attributable to non-controlling interests	-	-

## (3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended August 2017 (March 1, 2017 – August 31, 2017)	First half ended August 2018 (March 1, 2018 – August 31, 2018)
Cash flows from operating activities		
Profit before income taxes	8,361	9,536
Depreciation	604	598
Increase (decrease) in allowance for doubtful accounts	(144)	(147)
Increase (decrease) in provision for bonuses	54	75
Increase (decrease) in provision for product warranties	(22)	325
Decrease (increase) in net defined benefit asset	(76)	(40)
Increase (decrease) in provision for directors' stock benefit	6	2
Increase (decrease) in provision for loss on guarantees	(37)	(4)
Interest and dividend income	(15)	(28)
Interest expenses	1	0
Foreign exchange losses (gains)	851	(138)
Loss (gain) on sales of non-current assets	(2)	(0)
Loss on retirement of non-current assets	29	7
Loss (gain) on transfer of business	-	(198)
Decrease (increase) in notes and accounts receivable - trade	(10,929)	(9,609)
Decrease (increase) in inventories	5,562	(1,503)
Increase (decrease) in notes and accounts payable - trade	3,469	6,730
Decrease (increase) in other assets	(87)	198
Increase (decrease) in other liabilities	(198)	563
Other	(11)	28
Subtotal	7,418	6,395
Interest and dividend income received	15	28
Interest expenses paid	(1)	0
Income taxes paid	(1,413)	(2,199)
Net cash provided by (used in) operating activities	6,017	4,224
Cash flows from investing activities		
Decrease (increase) in time deposits	(5)	(11)
Purchase of securities	(300)	-
Proceeds from redemption of securities	300	-
Purchase of property, plant and equipment	(281)	(849)
Proceeds from sales of property, plant and equipment	2	0
Purchase of intangible assets	(75)	(60)
Proceeds from sales of intangible assets	-	1
Purchase of investment securities	(300)	(301)
Collection of loans receivable	0	0
Proceeds from transfer of business	-	386
Other	(0)	1
Net cash provided by (used in) investing activities	(660)	(832)
Cash flows from financing activities		
Proceeds from sales of treasury shares	0	3
Cash dividends paid	(1,240)	(1,710)
Repayments of lease obligations	(7)	(4)
Net cash provided by (used in) financing activities	(1,247)	(1,710)
Effect of exchange rate change on cash and cash equivalents	(940)	(220)
Net increase (decrease) in cash and cash equivalents	3,169	1,460
Cash and cash equivalents at beginning of period	23,633	30,411
Cash and cash equivalents at end of period	26,802	31,872

(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 2017 (March 1, 2017 – August 31, 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)	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.

II. For the first half ended August 2018 (March 1, 2018 – August 31, 2018)

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)	20,448	28,311	7,298	3,452	321	59,832	-	59,832
(of which inter- segment)	31,077	0	20	7	1,329	32,435	(32,435)	-
Total	51,525	28,312	7,319	3,459	1,651	92,267	(32,435)	59,832
Segment income	6,192	1,538	427	142	263	8,564	622	9,187

Notes: 1. Adjustment in segment income of 622 million yen includes 1,247 million yen for elimination of inter-segment trade and -625 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