

Summary of Consolidated Financial Results For the First Half Ended August 31, 2014 [Japan GAAP]

Name of Company: Takeuchi Mfg. Co., Ltd.
 Stock Code: 6432
 Stock Exchange Listing: Tokyo Stock Exchange, JASDAQ
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 Date of quarterly securities report (tentative): October 14, 2014
 Date of commencement of dividend payment (tentative): -
 Quarterly earnings supplementary explanatory documents: No
 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 2015 (March 1, 2014 – August 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended August 2014	37,743	34.5	6,055	240.7	5,965	97.7	3,640	50.2
First half ended August 2013	28,053	19.4	1,777	38.3	3,016	146.6	2,424	132.6

Note: Comprehensive income: First half of FY2/2015: 3,213 million yen (-7.8%), First half of FY2/2014: 3,486 million yen (196.7%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
First half ended August 2014	222.89	-
First half ended August 2013	148.44	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2014	59,217	39,883	67.4
As of February 28, 2014	52,472	36,931	70.4

Notes: Shareholders' equity

As of August 31, 2014: 39,883 million yen As of February 28, 2014: 36,931 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 2014	-	0.00	-	16.00	16.00
Fiscal year ending February 2015	-	0.00	-	-	-
Fiscal year ending February 2015 (est.)	-	-	-	22.00	22.00

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

3. Forecast for the fiscal year ending February 2015 (Consolidated, March 1, 2014 to February 28, 2015)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	67,000	25.0	9,640	117.3	9,640	49.0	5,910	27.8	361.87

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 stock)

As of August 31, 2014: 16,333,000 As of February 28, 2014: 16,333,000

(b) Treasury stock

As of August 31, 2014: 1,209 As of February 28, 2014: 1,135

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

Period ended August 31, 2014: 16,331,826 Period ended August 31, 2013: 16,331,865

* 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

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

In the first half of the current fiscal year, the economy of the United States, which is a major market for products of the Takeuchi Group, expanded at a moderate pace. The economic growth rate temporarily declined because of record-setting cold weather and other factors. But the U.S. economy continues to grow because of increasing investments in inventories, accelerating growth of consumer spending and capital expenditures, and rebounds in housing investments and exports. In Europe, which is also a primary market for the Takeuchi Group, the British economy continued to stage a recovery backed by solid domestic demand. In the United Kingdom, consumer spending and housing sector investments are strong and unemployment is declining. Economies are recovering in other areas of Europe too, other than in southern Europe.

In the fiscal year's first half, the sales volume of compact excavators, hydraulic excavators and track loaders was higher than one year earlier. Growth was attributable mainly to measures to strengthen sales activities in the United States and Europe and to growth in demand in these regions.

Due to the growth in sales volume, first half sales increased 34.5% from one year earlier to 37,743 million yen. Earnings benefited from an improvement in the profit margin resulting from cost-cutting activities and the weaker yen. Operating income was up 240.7% to 6,055 million yen and ordinary income increased 97.7% to 5,965 million yen. After taxes of 2,329 million yen, net income increased 50.2% to 3,640 million yen.

Geographic segment performance was as follows.

(a) Japan

Sales increased 39.8% to 13,329 million yen because of the larger number of compact excavators and hydraulic excavators for sale in Europe. Segment income increased 152.2% to 5,110 million yen mainly because of a higher profit margin resulting from an increase in yen translations of foreign currency-denominated sales as the yen weakened.

(b) United States

Sales increased 32.2% to 16,468 million yen along with growth in the sales volume of compact excavators, hydraulic excavators and track loaders. Segment income was up 674.5% to 996 million yen mainly due to a decline in procurement prices.

(c) United Kingdom

Sales increased 81.9% to 5,225 million yen. Growth was attributable to the higher sales volume of compact excavators and hydraulic excavators and an increase in yen translations of British pound-denominated sales because of the weaker yen. Segment income was up 235.5% to 316 million yen.

(d) France

Sales increased 7.0% to 1,572 million yen as growth in yen translations of euro-denominated sales due to the weaker yen offset a small decrease in the sales volume of compact excavators and hydraulic excavators. Segment income was 86 million yen compared with a 2 million yen loss one year earlier.

(e) China

Segment sales decreased 33.2% to 1,148 million yen because of a decline in the sales volume of compact excavators and hydraulic excavators. There was a loss of 154 million yen compared with income of 61 million yen one year earlier.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets were 59,217 million yen at the end of the first half, 6,745 million yen more than at the end of the previous fiscal year. The main reason for the increase was the growth in sales due to strong sales in the United States and Europe. Higher sales caused inventories to decrease 794 million yen and there was a 7,287 million yen increase in notes and accounts receivable.

Liabilities increased 3,793 million yen to 19,333 million yen. The main reason was a 3,834 million yen increase in notes and accounts payable in association with growth in production to meet the high volume of orders.

Net assets increased 2,951 million yen to 39,883 million yen. This was primarily due to a 3,378 million yen increase in retained earnings resulting from first half net income.

(b) Cash flows

There was a decrease of 150 million yen in cash and cash equivalents from the end of the previous fiscal year to 8,988 million yen at the end of the first half. The following is a summary of cash flows during the fiscal year's first half.

(Operating activities)

Net cash provided by operating activities decreased 65.6% from one year earlier to 1,345 million yen. Main uses of cash were a 7,805 million yen increase in notes and accounts receivable and income taxes paid of 2,275 million yen. Major sources of cash were income before income taxes and minority interests of 5,970 million yen and a 4,561 million yen increase in notes and accounts payable.

(Investing activities)

Cash used in investing activities increased 64.6% to 605 million yen. Purchases of property, plant and equipment were 508 million yen and purchases of intangible fixed assets were 106 million yen

(Financing activities)

Cash used in financing activities decreased 36.3% to 567 million yen. The main uses of cash were a net decrease in short-term loans of 300 million yen and dividends paid of 259 million yen.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on October 7, 2014 for consolidated results of operations in the fiscal year ending in February 2015. For more information, please see the October 7 news release concerning revisions to the forecast for the first half and fiscal year.

The forecast for the current fiscal year is based on exchange rates of 104 yen to the US dollar, 172 yen to the British pound, 135 yen to the euro and 16.8 yen to the yuan.

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:

None

3. Material Events Related to Going Concern Assumptions

None

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Thousand yen)

	Fiscal year ended February 2014 (As of February 28, 2014)	First half ended August 2014 (As of August 31, 2014)
ASSETS		
Current assets		
Cash and deposits	9,734,405	9,581,427
Notes and accounts receivable-trade	17,872,088	25,159,358
Merchandise and finished goods	11,920,464	9,991,111
Work in process	1,336,667	1,378,768
Raw materials and supplies	1,989,618	3,082,459
Deferred tax assets	1,635,569	1,665,772
Other	1,158,592	1,593,148
Allowance for doubtful accounts	(1,073,222)	(1,118,475)
Total current assets	44,574,183	51,333,571
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,316,009	3,173,007
Machinery, equipment and vehicles, net	775,254	868,468
Land	2,150,055	2,130,463
Other, net	368,543	461,685
Total property, plant and equipment	6,609,862	6,633,624
Intangible assets	801,339	826,544
Investments and other assets		
Other	646,019	576,463
Allowance for doubtful accounts	(159,039)	(152,751)
Total investments and other assets	486,980	423,711
Total noncurrent assets	7,898,182	7,883,881
Total assets	52,472,366	59,217,453

(Thousand yen)

	Fiscal year ended February 2014 (As of February 28, 2014)	First half ended August 2014 (As of August 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	10,317,932	14,152,798
Short-term loans payable	300,000	-
Income taxes payable	1,938,148	1,947,543
Provision for bonuses	150,685	157,569
Provision for product warranties	718,621	790,926
Other	1,449,588	1,571,489
Total current liabilities	14,874,976	18,620,327
Noncurrent liabilities		
Provision for retirement benefits	138,597	110,455
Provision for directors' retirement benefits	244,580	249,899
Provision for loss on guarantees	88,598	168,895
Other	193,652	183,937
Total noncurrent liabilities	665,429	713,188
Total liabilities	15,540,406	19,333,515
NET ASSETS		
Shareholder's equity		
Capital stock	3,632,948	3,632,948
Capital surplus	3,631,665	3,631,665
Retained earnings	30,027,593	33,406,547
Treasury stock	(3,250)	(3,479)
Total shareholder's equity	37,288,956	40,667,681
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	12,506	20,475
Foreign currency translation adjustments	(369,502)	(804,219)
Total accumulated other comprehensive income	(356,996)	(783,744)
Total net assets	36,931,960	39,883,937
Total liabilities and net assets	52,472,366	59,217,453

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 For the first half (March 1, 2014 – August 31, 2014)

(Thousand yen)

	First half ended August 2013 (March 1, 2013 – August 31, 2013)	First half ended August 2014 (March 1, 2014 – August 31, 2014)
Net sales	28,053,788	37,743,570
Cost of sales	23,620,369	28,253,137
Gross profit	4,433,418	9,490,432
Selling, general and administrative expenses		
Haulage expenses	664,836	1,001,214
Provision for product warranties	296,938	258,043
Provision of allowance for doubtful accounts	22,393	105,140
Provision for loss on guarantees	-	87,242
Directors' compensations	92,280	96,050
Salaries and bonuses	615,752	666,775
Provision for bonuses	37,007	38,271
Retirement benefit expenses	16,584	7,723
Provision for directors' retirement benefits	5,349	5,318
Other	905,031	1,168,758
Total selling, general and administrative expenses	2,656,175	3,434,539
Operating income	1,777,243	6,055,893
Non-operating income		
Interest income	9,382	10,881
Dividends income	1,277	1,781
Foreign exchange gains	1,155,857	-
Other	87,993	40,535
Total non-operating income	1,254,511	53,199
Non-operating expenses		
Interest expenses	7,556	3,902
Depreciation of assets for rent	6,609	-
Foreign exchange losses	-	134,823
Other	874	4,855
Total non-operating expenses	15,040	143,580
Ordinary income	3,016,714	5,965,511
Extraordinary income		
Gain on sales of noncurrent assets	12,730	672
Gain on sales of investment securities	-	3,991
Total extraordinary income	12,730	4,663
Extraordinary loss		
Impairment loss	11,187	-
Total extraordinary loss	11,187	-
Income (loss) before income taxes and minority interests	3,018,257	5,970,175
Income, inhabitants and enterprise taxes	699,830	2,311,846
Income tax adjustment	(105,952)	18,064
Total income taxes	593,878	2,329,911
Income (loss) before minority interests	2,424,379	3,640,264
Net income (loss)	2,424,379	3,640,264

(Quarterly consolidated statements of comprehensive income)

(Thousand yen)

	First half ended August 2013 (March 1, 2013 – August 31, 2013)	First half ended August 2014 (March 1, 2014 – August 31, 2014)
Income (loss) before minority interests	2,424,379	3,640,264
Other comprehensive income		
Valuation difference on available-for-sale securities	3,854	7,968
Foreign currency translation adjustment	1,057,791	(434,716)
Total other comprehensive income	1,061,646	(426,747)
Comprehensive income	3,486,025	3,213,516
Comprehensive income attributable to owners of the parent	3,486,025	3,213,516
Comprehensive income attributable to minority interests	-	-

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First half ended August 2013 (March 1, 2013 – August 31, 2013)	First half ended August 2014 (March 1, 2014 – August 31, 2014)
Operating activities		
Income (loss) before income taxes	3,018,257	5,970,175
Depreciation and amortization	363,918	422,537
Impairment loss	11,187	-
Increase (decrease) in allowance for doubtful accounts	96,381	105,021
Increase (decrease) in provision for bonuses	22,501	6,883
Increase (decrease) in provision for product warranties	189,399	86,731
Increase (decrease) in provision for retirement benefits	(1,836)	(28,142)
Increase (decrease) in provision for directors' retirement benefits	5,349	5,318
Increase (decrease) in provision for loss on guarantees	(73,962)	87,242
Interest and dividends income	(10,660)	(12,663)
Interest expenses	7,556	3,902
Foreign exchange losses (gains)	615,524	170,627
Loss (gain) on sales of investment securities	-	(3,991)
Loss (gain) on sales of noncurrent assets	(12,730)	259
Loss on retirement of noncurrent assets	608	3,498
Decrease (increase) in notes and accounts receivable-trade	4,542,675	(7,805,217)
Decrease (increase) in inventories	3,884,257	364,274
Increase (decrease) in notes and accounts payable-trade	(8,131,260)	4,561,474
Decrease (increase) in other assets	(375,377)	(464,631)
Increase (decrease) in other liabilities	(257,043)	141,529
Other, net	(110)	(2,104)
Sub-total	3,894,634	3,612,726
Interest and dividends income received	10,660	12,663
Interest expenses paid	(10,343)	(4,033)
Income taxes paid	(69,327)	(2,275,642)
Income taxes refund	88,897	-
Net cash provided by (used in) operating activities	3,914,522	1,345,714
Investing activities		
Decrease (increase) in time deposits	(51,470)	2,540
Purchase of property, plant and equipment	(224,475)	(508,501)
Proceeds from sales of property, plant and equipment	57,376	3,360
Purchase of intangible assets	(129,602)	(106,139)
Proceeds from sales of intangible assets	-	164
Purchase of investment securities	(19,970)	-
Proceeds from sales of investment securities	-	3,991
Payments of loans receivable	(300)	(700)
Collection of loans receivable	487	383
Other, net	(142)	(1,006)
Net cash provided by (used in) investing activities	(368,097)	(605,907)

(Thousand yen)

	First half ended August 2013 (March 1, 2013 – August 31, 2013)	First half ended August 2014 (March 1, 2014 – August 31, 2014)
Financing activities		
Net increase (decrease) in short-term loans payable	(755,420)	(300,000)
Purchase of treasury stock	-	(229)
Cash dividends paid	(128,775)	(259,168)
Repayments of lease obligations	(6,088)	(7,915)
Net cash provided by (used in) financing activities	(890,283)	(567,313)
Effect of exchange rate change on cash and cash equivalents	(531,479)	(322,929)
Net increase (decrease) in cash and cash equivalents	2,124,661	(150,436)
Cash and cash equivalents, beginning of period	3,287,593	9,139,378
Cash and cash equivalents, end of period	5,412,255	8,988,941

(4) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information)

I. For the first half ended August 2013 (March 1, 2013 – August 31, 2013)

Information about sales and income (loss) by reporting segments

(Thousand 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)	9,533,229	12,459,263	2,872,532	1,468,766	1,719,996	28,053,788	-	28,053,788
(of which inter- segment)	11,654,260	-	6,798	10,039	213,076	11,884,173	(11,884,173)	-
Total	21,187,489	12,459,263	2,879,331	1,478,806	1,933,072	39,937,962	(11,884,173)	28,053,788
Segment income (loss)	2,026,702	128,726	94,299	(2,541)	61,762	2,308,948	(531,704)	1,777,243

- Notes:
1. Adjustment in segment income of -531,704 thousand yen includes -192,550 thousand yen for elimination of inter-segment trade and -339,154 thousand 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 half ended August 2014 (March 1, 2014 – August 31, 2014)

Information about sales and income (loss) by reporting segments

(Thousand 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)	13,329,007	16,468,299	5,225,617	1,572,220	1,148,425	37,743,570	-	37,743,570
(of which inter- segment)	18,332,575	1,126	3,821	1,716	422,687	18,761,927	(18,761,927)	-
Total	31,661,583	16,469,426	5,229,438	1,573,936	1,571,113	56,505,498	(18,761,927)	37,743,570
Segment income (loss)	5,110,545	996,937	316,396	86,623	(154,410)	6,356,093	(300,199)	6,055,893

- Notes:
1. Adjustment in segment income of -300,199 thousand yen includes -97,542 thousand yen for elimination of inter-segment trade and -397,742 thousand 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.