

Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 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/
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Date of quarterly securities report (tentative):	January 11, 2019
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 2019 (March 1, 2018 – November 30, 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 three quarters ended Nov. 2018	87,801	18.3	12,637	11.9	12,845	11.8	9,411	19.1
First three quarters ended Nov. 2017	74,209	12.0	11,292	(3.3)	11,487	14.2	7,904	19.6

Note: Comprehensive income: First three quarters of FY Feb./2019: 9,351 million yen [24.0%],

First three quarters of FY Feb./2018: 7,540 million yen [74.8%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Nov. 2018	197.33		-	
First three quarters ended Nov. 2017	165.76		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of November 30, 2018	104,551		75,751		72.5	
As of February 28, 2018	91,799		68,106		74.2	

Reference: Shareholders' equity

As of November 30, 2018: 75,751 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				
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: None

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: 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, 2018: 48,999,000 As of February 28, 2018: 48,999,000

(b) Treasury shares

As of November 30, 2018: 1,301,198 As of February 28, 2018: 1,309,568

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

Period ended November 30, 2018: 47,694,688 Period ended November 30, 2017: 47,688,841

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 November 30, 2018).

* This report is exempt from the quarterly audit review by certified public accountant or audit firm.

* 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

Economic conditions in the United States and Europe, which are the major markets of the Takeuchi Group, were as follows during the first three quarters of the current fiscal year. In the United States, the economy is continuing to expand but growth is held back by the rising cost of raw materials due to tariff hikes and uncertainty about upcoming trade policies. As a result, capital expenditures by companies decreased somewhat while remaining at a high level. The U.S. housing market has entered a period of adjustment involving supply and demand because of rising long-term interest rates. But consumer spending is still strong. In Europe, economic growth has slowed down but economic expansion is continuing at a moderate pace. Consumer spending is firm with the support of improvements in the labor market and personal income. Capacity utilization is high in the manufacturing and service sectors, resulting in relatively strong capital expenditures and construction spending. In Britain, consumer spending and capital expenditures are both sluggish as more difficulties are anticipated with Brexit negotiations. Due to this situation, the outlook for the British economy is still unclear.

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

Sales were 87,801 million yen, 18.3% higher than in the same period of the previous fiscal year. 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 11.9% to 12,637 million yen and ordinary income increased 11.8% to 12,845 million yen. After income taxes of 3,631 million yen and other items, profit attributable to owners of parent increased 19.1% to 9,411 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 20.3% to 30,109 million yen and segment income increased 4.1% to 9,052 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 15.0% to 42,055 million yen and segment income was up 109.7% to 2,346 million yen because of sales growth and a decline in the prices of products imported from Japan.

(c) United Kingdom

Sales increased 17.7% to 10,409 million yen mainly because of growth in the sales volume of compact excavators and hydraulic excavators. Segment income was up 17.2% to 570 million yen.

(d) France

The sales volume of compact excavators and hydraulic excavators was higher, resulting in a 34.2% increase in sales to 4,840 million yen. Segment income fell 34.5% to 177 million yen mainly because of higher prices of products imported from Japan and an increase in marketing expenses.

(e) China

Sales were up 142.6% to 387 million yen as the sales volume of compact excavators and hydraulic excavators increased. Segment income increased 19.3% to 369 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

Assets were 104,551 million yen at the end of the third quarter, 12,752 million yen more than at the end of the previous fiscal year. There were increases of 3,319 million yen in cash and deposits, 7,480 million yen in notes and accounts receivable-trade due to sales growth and 1,711 million yen in inventories.

Liabilities increased 5,107 million yen to 28,800 million yen primarily because of a 5,146 million yen increase in notes and accounts payable-trade associated with the increase in production volume.

Net assets increased 7,644 million yen to 75,751 million yen. Retained earnings increased 9,411 million yen because of profit attributable to owners of parent, but there was a decrease of 1,718 million yen due to dividends paid.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on October 10, 2018 for consolidated results of operations in the fiscal year ending in February 2019.

These forecasts are based on exchange rates of 109 yen to the US dollar, 142 yen to the British pound, 127 yen to the euro and 15.8 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 2018 (As of February 28, 2018)	Third quarter ended November 2018 (As of November 30, 2018)
ASSETS		
Current assets		
Cash and deposits	30,990	34,310
Notes and accounts receivable-trade	22,452	29,933
Merchandise and finished goods	19,358	19,634
Work in process	1,522	1,071
Raw materials and supplies	3,017	4,904
Deferred tax assets	2,098	1,863
Other	2,674	2,547
Allowance for doubtful accounts	(1,500)	(1,242)
Total current assets	80,614	93,022
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,330	5,108
Machinery, equipment and vehicles, net	1,268	1,241
Land	2,104	2,064
Other, net	454	966
Total property, plant and equipment	9,158	9,381
Intangible assets	713	581
Investments and other assets		
Other	1,334	1,588
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	1,313	1,566
Total noncurrent assets	11,185	11,529
Total assets	91,799	104,551

	Fiscal year ended February 2018 (As of February 28, 2018)	Third quarter ended November 2018 (As of November 30, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	17,572	22,719
Income taxes payable	1,966	1,275
Provision for bonuses	214	108
Provision for product warranties	1,178	1,554
Other	1,608	2,190
Total current liabilities	<u>22,540</u>	<u>27,846</u>
Noncurrent liabilities		
Provision for directors' stock benefits	30	26
Provision for loss on guarantees	22	6
Net defined benefit liability	41	40
Other	1,058	879
Total noncurrent liabilities	<u>1,152</u>	<u>953</u>
Total liabilities	<u>23,692</u>	<u>28,800</u>
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	61,633	69,326
Treasury shares	(1,976)	(1,965)
Total shareholders' equity	<u>66,921</u>	<u>74,625</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22	9
Foreign currency translation adjustment	1,053	1,043
Remeasurements of defined benefit plans	109	71
Total accumulated other comprehensive income	<u>1,185</u>	<u>1,125</u>
Total net assets	<u>68,106</u>	<u>75,751</u>
Total liabilities and net assets	<u>91,799</u>	<u>104,551</u>

(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 2017 (March 1, 2017 – November 30, 2017)	First three quarters ended November 2018 (March 1, 2018 – November 30, 2018)
Net sales	74,209	87,801
Cost of sales	57,164	68,823
Gross profit	17,045	18,977
Selling, general and administrative expenses		
Haulage expenses	1,788	2,320
Provision for product warranties	626	899
Provision of allowance for doubtful accounts	(75)	(191)
Provision for loss on guarantees	(43)	(15)
Directors' compensations	173	148
Salaries and allowances	1,206	1,204
Provision for bonuses	48	66
Retirement benefit expenses	9	16
Provision for directors' stock benefits	11	7
Other	2,009	1,883
Total selling, general and administrative expenses	5,753	6,340
Operating income	11,292	12,637
Non-operating income		
Interest income	20	41
Dividends income	1	1
Foreign exchange gains	38	105
Gain on valuation of derivatives	107	-
Other	63	79
Total non-operating income	232	229
Non-operating expenses		
Loss on retirement of non-current assets	31	10
Loss on valuation of derivatives	-	10
Other	5	0
Total non-operating expenses	36	21
Ordinary income	11,487	12,845
Extraordinary income		
Gain on transfer of business	-	198
Total extraordinary income	-	198
Profit before income taxes	11,487	13,043
Income taxes - current	3,014	3,439
Income taxes - deferred	568	191
Total income taxes	3,583	3,631
Profit	7,904	9,411
Profit attributable to owners of parent	7,904	9,411

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

(Million yen)

	First three quarters ended November 2017 (March 1, 2017 – November 30, 2017)	First three quarters ended November 2018 (March 1, 2018 – November 30, 2018)
Profit	7,904	9,411
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(12)
Foreign currency translation adjustment	(303)	(9)
Remeasurements of defined benefit plans, net of tax	(57)	(37)
Total other comprehensive income	(364)	(59)
Comprehensive income	7,540	9,351
Comprehensive income attributable to owners of parent	7,540	9,351
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, other)

[Segment information]

I. 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.

II. For the first three quarters ended November 2018 (March 1, 2018 – November 30, 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)	30,109	42,055	10,409	4,840	387	87,801	-	87,801
(of which inter-segment)	43,084	0	25	48	2,482	45,642	(45,642)	-
Total	73,194	42,055	10,435	4,889	2,869	133,444	(45,642)	87,801
Segment income	9,052	2,346	570	177	369	12,516	120	12,637

- Notes:
1. Adjustment in segment income of 120 million yen includes 1,013 million yen for elimination of inter-segment trade and -892 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