

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 2019 [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): July 12, 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 quarter of the fiscal year ending February 2020 (March 1, 2019 – May 31, 2019)

(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 quarter ended May 31 2019	29,535	10.0	3,886	(18.9)	3,730	(20.7)	2,679	(21.0)
First quarter ended May 31 2018	26,848	15.6	4,794	13.8	4,702	11.8	3,392	20.6

(Note) Comprehensive income: 1Q FY Feb./2020: 2,646 million yen (15.4%), 1Q FY Feb./2019: 2,294 million yen (9.9%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended May 31 2019	56.17		-	
First quarter ended May 31 2018	71.14		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2019	104,727		77,678		74.2	
As of February 28, 2019	103,557		77,180		74.5	

(Reference) Shareholders' equity

As of May 31, 2019: 77,678 million yen As of February 28, 2019: 77,180 million yen

(Note) From the start of the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) etc. Figures for fiscal year ended February 28, 2019 have been retroactively adjusted.

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 2019	-	0.00	-	45.00	45.00
Fiscal year ending February 2020	-	-	-	-	-
Fiscal year ending February 2020 (est.)	-	0.00	-	50.00	50.00

(Note) Change in the estimation of dividend from the latest announcement: None

3. Forecast for the fiscal year ending February 2020 (Consolidated, March 1, 2019 to February 28, 2020)

(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
First half	64,500	7.8	8,700	(5.3)	8,700	(6.8)	6,200	(10.5)	129.99
Full year	115,000	4.4	14,000	(9.2)	14,000	(9.7)	10,000	(12.2)	209.65

(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 May 31, 2019: 48,999,000 As of February 28, 2019: 48,999,000

(b) Treasury shares

As of May 31, 2019: 1,301,198 As of February 28, 2019: 1,301,198

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

Period ended May 31, 2019: 47,697,802 Period ended May 31, 2018: 47,689,628

(Note) Treasury shares include shares held by the Board Incentive Plan Trust (47,340 shares as of February 28, 2019 and 47,340 shares as of May 31, 2019).

* This report is exempt from the quarterly audit review by certified public accountants or accounting firms.

* 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 first quarter (March 1, 2019-May 31, 2019), the U.S. economy continued to expand in an environment of strong employment and income and brisk corporate capital investment. However, uncertainties resulting from the U.S.-China trade frictions continued to cast a shadow. In Europe, customers have become more cautious about capital investment because of the U.S.-China trade friction and the long drawn out Brexit issue. Nevertheless, the employment picture was favorable amid labor shortages. Private consumption was also firm in Europe. In Britain, investment mindset in both the manufacturing and service sectors has weakened and business confidence has declined even though concerns over a no-deal Brexit risk have receded for the time being.

Despite the challenging environment, demand for the Takeuchi Group's products was consistently strong in the United States and Europe. In February 2019, the Takeuchi Group launched new compact excavators TB235-2 and TB250-2 which meet EU's 5th Emission Standards. The Takeuchi Group started installing information communication devices with GPS function on products sold in the European market. Those devices had been so far available only on products for the U.S. market. With this development, the Takeuchi Group started actively marketing the lineup of products with added value. As a result, the sales volume of hydraulic excavators and track loaders increased in North America and sales volume of compact excavators and hydraulic excavators was higher in Europe.

Sales increased 10.0% to 29,535 million yen. Earnings were lower as strategic pricing to boost sales volume, higher manufacturing costs and other increases in expenses more than offset the sales growth. Operating income declined 18.9% to 3,886 million yen and ordinary income decreased 20.7% to 3,730 million yen. After income taxes of 1,051 million yen, profit attributable to owners of parent decreased 21.0% to 2,679 million yen

Geographic segment performance was as follows.

(a) Japan

Most of the segment sales represent shipments to distributors in Europe. Sales of TB225, the compact excavators introduced in March 2018, were strong and sales of TB235-2 and TB250-2, both compact excavators, launched in February 2019 got off to a smooth start. Sales increased 15.5% to 10,976 million yen because of growth in sales volume of compact excavators and hydraulic excavators in Europe. Segment income decreased 13.2% to 2,696 million yen because the adoption of strategic pricing to boost sales volumes, higher manufacturing costs and other reasons.

(b) United States

Demand centering on products for housing construction and infrastructure construction remained strong. However, postponement of certain shipments due to unseasonal weather led to a decrease in compact excavator shipments. On the other hand, sales volume of hydraulic excavators and track loaders increased. As a result, sales increased 7.9% to 12,184 million yen. However, segment income decreased 3.6% to 625 million yen because of higher SG&A expenses due to higher personnel expenses and other factors.

(c) United Kingdom

Customers have become more cautious about procurement because of the protracted Brexit issue. Nevertheless, demand is at high levels as housing and infrastructure construction is strong in the UK. Sales of TB225, the compact excavators introduced in March 2018 were favorable although overall sales volume of compact excavators somewhat decreased. Consequently, segment sales increased 2.7% to 4,243 million yen. But segment income decreased 6.8% to 234 million yen as the cost of product procurement from the Japan segment increased.

(d) France

Sales increased 17.9% to 2,044 million yen mainly because sales of TB225, compact excavators launched in March 2018 were favorable and an increase in the sales volume of other compact excavators and hydraulic excavators. However, segment income was down 12.8% to 80 million yen. The primary reasons were higher SG&A expenses due to an increase in personnel expenses.

(e) China

Sales were down 52.0% to 87 million yen because the lower sales volume of compact excavators and hydraulic excavators. Segment income decreased 82.6% to 22 million yen, which was mainly the result of lower shipment volume of parts to Japan and a decline in the reversal of the allowance for doubtful accounts from the previous year.

(2) Overview of financial condition

(Assets)

Assets were 104,727 million yen at the end of the first quarter, 1,170 million yen more than at the end of the previous fiscal year. There were decreases of 4,333 million yen in cash and deposits due to payment of income taxes and dividend. Inventories decreased 2,179 million yen but notes and accounts receivable trade increased 6,393 million because of sales growth.

(Liabilities)

Liabilities increased 672 million yen to 27,048 million yen. This was a net result of a 909 million yen decrease in income taxes payable and a 647 million yen increase in notes and accounts payable-trade.

(Net assets)

Net assets increased 498 million yen to 77,678 million yen. This is the net result of an increase in retained earnings of 2,679 million yen because of profit attributable to owners of parent, and a decrease of 2,148 million yen due to dividends paid.

The company started applying the Partial Amendments to Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Comparison with previous fiscal year and analysis of the financial condition are based on figures retroactively adjusted.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on April 9, 2019 for consolidated results of operations for the first half and full year of the fiscal year ending in February 2020.

The forecast for the current fiscal year is based on assumed exchange rates of 108 yen to the US dollar, 140 yen to the British pound, 122 yen to the euro and 15.90 yen to the yuan.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended February 2019 (As of February 28, 2019)	First quarter ended May 2019 (As of May 31, 2019)
ASSETS		
Current assets		
Cash and deposits	35,072	30,739
Notes and accounts receivable-trade	23,156	29,550
Merchandise and finished goods	23,283	21,498
Work in process	1,392	1,013
Raw materials and supplies	5,464	5,449
Other	2,411	2,991
Allowance for doubtful accounts	(1,100)	(1,121)
Total current assets	89,680	90,121
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,144	5,154
Machinery, equipment and vehicles, net	1,337	1,382
Land	2,033	2,040
Other, net	1,574	2,488
Total property, plant and equipment	10,089	11,065
Intangible assets	556	625
Investments and other assets		
Deferred tax assets	1,527	1,400
Other	1,723	1,536
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	3,229	2,914
Total noncurrent assets	13,876	14,606
Total assets	103,557	104,727

(Million yen)

	Fiscal year ended February 2019 (As of February 28, 2019)	First quarter ended May 2019 (As of May 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	20,561	21,208
Income taxes payable	1,902	992
Provision for bonuses	224	437
Provision for product warranties	1,509	1,630
Other	1,619	2,347
Total current liabilities	25,818	26,617
Noncurrent liabilities		
Provision for directors' stock benefits	28	31
Net defined benefit liability	52	52
Other	476	347
Total noncurrent liabilities	558	431
Total liabilities	26,376	27,048
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	71,305	71,836
Treasury shares	(1,965)	(1,965)
Total shareholders' equity	76,605	77,135
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	2
Foreign currency translation adjustment	420	509
Remeasurements of defined benefit plans	150	31
Total accumulated other comprehensive income	575	542
Total net assets	77,180	77,678
Total liabilities and net assets	103,557	104,727

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

(Million yen)

	First quarter ended May 2018 (March 1, 2018 – May 31, 2018)	First quarter ended May 2019 (March 1, 2019 – May 31, 2019)
Net sales	26,848	29,535
Cost of sales	19,722	23,300
Gross profit	7,126	6,235
Selling, general and administrative expenses		
Haulage expenses	821	875
Provision for product warranties	417	327
Provision of allowance for doubtful accounts	(54)	(0)
Provision for loss on guarantees	(8)	-
Directors' compensations	56	43
Salaries and allowances	372	386
Provision for bonuses	46	51
Retirement benefit expenses	5	9
Provision for directors' stock benefits	2	2
Other	672	651
Total selling, general and administrative expenses	2,332	2,348
Operating income	4,794	3,886
Non-operating income		
Interest income	13	22
Other	26	16
Total non-operating income	39	39
Non-operating expenses		
Loss on retirement of non-current assets	1	10
Foreign exchange losses	118	183
Other	10	0
Total non-operating expenses	131	195
Ordinary income	4,702	3,730
Profit before income taxes	4,702	3,730
Income taxes - current	1,179	1,001
Income taxes - deferred	130	50
Total income taxes	1,310	1,051
Profit	3,392	2,679
Profit attributable to owners of parent	3,392	2,679

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

(Million yen)

	First quarter ended May 2018 (March 1, 2018 – May 31, 2018)	First quarter ended May 2019 (March 1, 2019 – May 31, 2019)
Profit	3,392	2,679
Other comprehensive income		
Valuation difference on available-for-sale securities	(15)	(0)
Foreign currency translation adjustment	(1,069)	88
Remeasurements of defined benefit plans, net of tax	(13)	(119)
Total other comprehensive income	(1,098)	(32)
Comprehensive income	2,294	2,646
Comprehensive income attributable to owners of parent	2,294	2,646
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information)

I. For the first quarter ended May 2018 (March 1, 2018 – May 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)	9,502	11,297	4,132	1,733	181	26,848	-	26,848
(of which inter- segment/transfer)	16,508	0	7	2	498	17,017	(17,017)	-
Total	26,010	11,297	4,140	1,736	680	43,865	(17,017)	26,848
Segment income	3,107	649	252	92	131	4,232	561	4,794

Notes: 1. Adjustment in segment income of 561 million yen includes 881 million yen for elimination of inter-segment trade and -319 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 quarter ended May 2019 (March 1, 2019 – May 31, 2019)

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)	10,976	12,184	4,243	2,044	87	29,535	-	29,535
(of which inter- segment/transfer)	15,195	-	5	1	450	15,653	(15,653)	-
Total	26,172	12,184	4,249	2,046	537	45,189	(15,653)	29,535
Segment income	2,696	625	234	80	22	3,660	225	3,886

Notes: 1. Adjustment in segment income of 225 million yen includes 528 million yen for elimination of inter-segment trade and -302 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