

## Summary of Consolidated Financial Results For the First Half Ended August 31, 2019 [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
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Date of quarterly securities report (tentative):	October 11, 2019
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 2020 (March 1, 2019 – August 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 half ended August 2019	62,461	4.4	7,847	(14.6)	7,510	(19.6)	5,483	(20.8)
First half ended August 2018	59,832	14.3	9,187	11.1	9,338	11.7	6,927	19.7

Note: Comprehensive income: 1H of FY Feb./2020: 4,649 million yen (-26.3%), 1H of FY Feb./2019: 6,310 million yen (+21.7%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended August 2019	114.98		-	
First half ended August 2018	145.26		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2019	107,532		79,661		74.1	
As of February 28, 2019	103,557		77,180		74.5	

(Reference) Shareholders' equity

As of August 31, 2019: 79,661 million yen As of February 28, 2019 77,180 million yen

(Note) The company started applying the Partial Revision of Accounting Standards for Tax Effect Accounting (ASBJ Statement No 28, February 16, 2018) from the beginning of the first quarter of current fiscal year. Amounts for consolidated financial condition for the fiscal year ended February 2019 are based on retroactively adjusted figures.

### 2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen				
Fiscal year ended February 2019	-	0.00	-	45.00	45.00
Fiscal year ending February 2020	-	0.00			
Fiscal year ending February 2020 (est.)			-	50.00	50.00

Note: Change in the estimation of dividend from the latest announcement: No

(English translation of the original Japanese document)

### 3. Forecast for the fiscal year ending February 2020 (Consolidated, March 1, 2019 to February 29, 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
Full year	115,000	4.4	12,300	(20.2)	11,900	(23.2)	8,700	(23.6)	182.43

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, 2019:	48,999,000	As of February 28, 2019:	48,999,000
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  - (b) Treasury shares
 

As of August 31, 2019:	1,312,798	As of February 28, 2019:	1,301,198
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  - (c) Average number of shares (quarterly consolidated cumulative)
 

Period ended August 31, 2019:	47,694,902	Period ended August 31, 2018:	47,693,147
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(Note) Treasury shares include shares held by the Board Incentive Plan Trust (47,340 shares as of February 28, 2019 and 58,940 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 23, 2019. The documents will be posted promptly on the company's website after the presentation.

(English translation of the original Japanese document)

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(English translation of the original Japanese document)

## 1. Results of Operations

### (1) Overview on consolidated business performance

The economies in the United States and Europe, the major markets for the Takeuchi Group, in the first half of the fiscal year (March 1, 2019 to August 31, 2019) were generally as follows. Although uncertainties about the U.S. market increased amid intensifying U.S.-China trade friction and corporate capital investments slowed, consumer spending was steady as the labor market and personal income were strong and the housing market regained momentum.

In Europe, there were concerns over the U.S.-China trade friction and chaos about Brexit, and the sluggish manufacturing sectors weighted heavily on the economy. However, consumer spending was firm due to the steady labor market and personal income. In Britain, uncertainties over Brexit increased and exports and corporate capital investments were down. However, improvement in consumer spending supported the economy.

In February 2019, the Takeuchi Group launched new compact excavators TB235-2 and TB250-2. Both models meet EU's 5th Exhaust Gas Emission Standards. The Takeuchi Group started installing an information communication device with GPS function on products sold in the European market. This device 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, overall sales volume in Europe, except Britain, was generally favorable. However, the sales volume of the entire Group was flat compared to the previous year as sales volume was sluggish in the U.S. and Britain.

Sales increased 4.4% to 62,461 million yen in the first half of current fiscal year. Earnings were lower as the Group adopted strategic pricing to boost sales, manufacturing and logistics costs were higher and there was a provision of allowance for doubtful accounts in the first half instead of a reversal of allowance for doubtful accounts a year ago. Operating income declined 14.6% to 7,847 million yen and ordinary income decreased 19.6% to 7,510 million yen. After income taxes of 2,026 million yen, profit attributable to owners of parent decreased 20.8% to 5,483 million yen.

Geographic segment performance was as follows.

#### (a) Japan

Most of the segment sales represent shipments to distributors in the EU. 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 volume of compact excavators and hydraulic excavators to Europe were higher.

Sales increased 17.2% to 23,969 million yen. Segment income decreased 15.3% to 5,243 million yen because of the adoption of strategic pricing to boost sales, lower product prices to subsidiaries, higher manufacturing and logistics 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 and purchase restrictions on parts led to a decrease in sales volume of compact excavators and track loaders. As a result, sales decreased 2.5% to 27,613 million yen. However, segment income increased 11.2% to 1,710 million yen due to lower procurement costs from the Japan segment and changes in the product mix.

#### (c) United Kingdom

Demand is at high levels as housing and infrastructure construction is strong. However, customers have become more cautious about purchase of products because of the protracted Brexit issue. Sales of TB225, the compact excavators introduced in March 2018 were favorable although overall sales volume of compact excavators decreased. Consequently, segment sales decreased 2.7% to 7,102 million yen and segment income decreased 0.7% to 424 million yen.

#### (d) France

Sales increased 4.7% to 3,614 million yen mainly because sales of TB225, compact excavators launched in March 2018 were favorable and the sales volume of other compact excavators and hydraulic excavators increased. However, segment income was down 3.5% to 137 million yen. The primary reasons were changes in the product mix and higher SG&A expenses due to an increase in personnel expenses.

#### (e) China

Sales were down 49.8% to 161 million yen mainly because of the lower sales volume of compact excavators and hydraulic excavators. Segment income decreased 92.0% to 21 million yen, which was mainly the result of lower shipment volume of parts to Japan and a provision of allowance for doubtful accounts in the first half instead of a reversal of allowance for doubtful accounts a year ago.

(English translation of the original Japanese document)

(2) Overview of financial condition

(a) Assets, liabilities and net assets

(Assets)

Assets were 107,532 million yen at the end of the first half, 3,975 million yen more than at the end of the previous fiscal year. There were decreases of 2,042 million yen in cash and deposits due to payment of income taxes and dividend and inventories decreased 5,293 million yen, but notes and accounts receivable-trade increased 9,582 million because of sales growth.

(Liabilities)

Liabilities increased 1,494 million yen to 27,871 million yen. This was a net result of a 394 million yen decrease in income taxes payable and a 1,248 million yen increase in notes and accounts payable-trade.

(Net assets)

Net assets increased 2,481 million yen to 79,661 million yen. This is the net result of an increase in retained earnings of 5,483 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 Revision of 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.

(b) Cash flows

Cash and cash equivalents decreased 2,042 million yen from the end of the previous fiscal year to 32,422 million yen. The following is a summary of cash flows.

(Operating activities)

Net cash provided by operating activities decreased 2,058 million yen to 2,166 million yen. Major uses of cash were a 10,145 million yen increase in notes and accounts receivable-trade. Major sources of cash were profit before income taxes of 7,510 million yen, a 4,789 million yen decrease in inventories and an increase of 1,904 million yen in notes and accounts payable-trade.

(Investing activities)

Net cash used in investing activities increased 1,222 million yen to 2,055 million yen. There was a 1,636 million yen for purchase of property, plant and equipment and 300 million yen for purchases of investment securities.

(Financing activities)

Net cash used in financing activities increased 450 million yen to 2,161 million yen. The main use of cash was cash dividends paid of 2,137 million yen.

(3) Forecast for the current fiscal year

The forecast for the fiscal year ending in February 2020 that was announced on April 9, 2019 has been revised. For information about this revision, please see the October 10, 2019 press release titled "Notice Regarding Revision of the Consolidated Forecast for the Fiscal Year Ending February 2020."

The assumed exchange rates for the third quarter and thereafter are 104 yen to the U.S. dollar, 127 yen to the British pound, 115 yen to the euro and 14.5 yen to the yuan.

(English translation of the original Japanese document)

## 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 half ended August 2019 (As of August 31, 2019)
<b>ASSETS</b>		
Current assets		
Cash and deposits	35,072	33,029
Notes and accounts receivable-trade	23,156	32,739
Merchandise and finished goods	23,283	18,530
Work in process	1,392	1,404
Raw materials and supplies	5,464	4,911
Other	2,411	3,139
Allowance for doubtful accounts	(1,100)	(1,074)
Total current assets	89,680	92,681
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,144	5,775
Machinery, equipment and vehicles, net	1,337	1,682
Land	2,033	2,011
Other, net	1,574	1,549
Total property, plant and equipment	10,089	11,019
Intangible assets	556	596
Investments and other assets		
Deferred tax assets	1,527	1,359
Other	1,723	1,897
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	3,229	3,235
Total noncurrent assets	13,876	14,851
Total assets	103,557	107,532

	Fiscal year ended February 2019 (As of February 28, 2019)	First half ended August 2019 (As of August 31, 2019)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	20,561	21,810
Income taxes payable	1,902	1,507
Provision for bonuses	224	295
Provision for product warranties	1,509	1,729
Other	1,619	2,093
Total current liabilities	25,818	27,437
Noncurrent liabilities		
Provision for directors' stock benefits	28	35
Net defined benefit liability	52	51
Other	476	347
Total noncurrent liabilities	558	434
Total liabilities	26,376	27,871
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	71,305	74,641
Treasury shares	(1,965)	(1,985)
Total shareholders' equity	76,605	79,920
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	(2)
Foreign currency translation adjustment	420	(279)
Remeasurements of defined benefit plans	150	23
Total accumulated other comprehensive income	575	(258)
Total net assets	77,180	79,661
Total liabilities and net assets	103,557	107,532

(English translation of the original Japanese document)

(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 2018 (March 1, 2018 – August 31, 2018)	First half ended August 2019 (March 1, 2019 – August 31, 2019)
Net sales	59,832	62,461
Cost of sales	46,206	49,668
Gross profit	13,626	12,793
Selling, general and administrative expenses		
Haulage expenses	1,635	1,867
Provision for product warranties	687	637
Provision of allowance for doubtful accounts	(147)	5
Provision for loss on guarantees	(4)	-
Directors' compensations	100	101
Salaries and allowances	765	818
Provision for bonuses	80	87
Retirement benefit expenses	11	18
Provision for directors' stock benefits	5	6
Other	1,303	1,403
Total selling, general and administrative expenses	4,438	4,946
Operating income	9,187	7,847
Non-operating income		
Interest income	27	45
Dividends income	1	1
Foreign exchange gains	79	-
Other	62	35
Total non-operating income	170	82
Non-operating expenses		
Loss on retirement of non-current assets	7	37
Foreign exchange losses	-	379
Loss on valuation of derivatives	11	-
Other	0	1
Total non-operating expenses	19	419
Ordinary income	9,338	7,510
Extraordinary income		
Gain on transfer of business	198	-
Total extraordinary income	198	-
Profit before income taxes	9,536	7,510
Income taxes - current	2,400	1,949
Income taxes - deferred	208	77
Total income taxes	2,608	2,026
Profit	6,927	5,483
Profit attributable to owners of parent	6,927	5,483



(English translation of the original Japanese document)

(Quarterly consolidated statements of comprehensive income)

(For the first half)

(Million yen)

	First half ended August 2018 (March 1, 2018 – August 31, 2018)	First half ended August 2019 (March 1, 2019 – August 31, 2019)
Profit	6,927	5,483
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	(6)
Foreign currency translation adjustment	(577)	(700)
Remeasurements of defined benefit plans, net of tax	(25)	(127)
Total other comprehensive income	(617)	(834)
Comprehensive income	6,310	4,649
Comprehensive income attributable to owners of parent	6,310	4,649
Comprehensive income attributable to non-controlling interests	-	-

(English translation of the original Japanese document)

(3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended August 2018 (March 1, 2018 – August 31, 2018)	First half ended August 2019 (March 1, 2019 – August 31, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,536	7,510
Depreciation	598	666
Increase (decrease) in allowance for doubtful accounts	(147)	5
Increase (decrease) in provision for bonuses	75	71
Increase (decrease) in provision for product warranties	325	244
Decrease (increase) in net defined benefit asset	(40)	(16)
Increase (decrease) in provision for directors' stock benefit	2	6
Increase (decrease) in provision for loss on guarantees	(4)	-
Interest and dividend income	(28)	(47)
Interest expenses	0	-
Foreign exchange losses (gains)	(138)	(235)
Loss (gain) on sales of non-current assets	(0)	4
Loss on retirement of non-current assets	7	32
Loss (gain) on transfer of business	(198)	-
Decrease (increase) in notes and accounts receivable - trade	(9,609)	(10,145)
Decrease (increase) in inventories	(1,503)	4,789
Increase (decrease) in notes and accounts payable - trade	6,730	1,904
Decrease (increase) in other assets	198	(885)
Increase (decrease) in other liabilities	563	479
Other	28	(15)
Subtotal	6,395	4,371
Interest and dividend income received	28	49
Interest expenses paid	0	-
Income taxes paid	(2,199)	(2,254)
Net cash provided by (used in) operating activities	4,224	2,166
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	(11)	0
Purchase of property, plant and equipment	(849)	(1,636)
Proceeds from sales of property, plant and equipment	0	9
Purchase of intangible assets	(60)	(139)
Proceeds from sales of intangible assets	1	0
Purchase of investment securities	(301)	(300)
Collection of loans receivable	0	-
Proceeds from transfer of business	386	-
Other	1	9
Net cash provided by (used in) investing activities	(832)	(2,055)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	-	(20)
Proceeds from sales of treasury shares	3	-
Cash dividends paid	(1,710)	(2,137)
Repayments of lease obligations	(4)	(3)
Net cash provided by (used in) financing activities	(1,710)	(2,161)
Effect of exchange rate change on cash and cash equivalents	(220)	7
Net increase (decrease) in cash and cash equivalents	1,460	(2,042)
Cash and cash equivalents at beginning of period	30,411	34,464
Cash and cash equivalents at end of period	31,872	32,422

(English translation of the original Japanese document)

(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 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.

II. For the first half ended August 2019 (March 1, 2019 – August 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)	23,969	27,613	7,102	3,614	161	62,461	-	62,461
(of which inter- segment)	30,672	-	10	4	874	31,561	(31,561)	-
Total	54,642	27,613	7,112	3,619	1,035	94,023	(31,561)	62,461
Segment income	5,243	1,710	424	137	21	7,536	310	7,847

Notes: 1. Adjustment in segment income of 310 million yen includes 916 million yen for elimination of inter-segment trade and -605 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.

(English translation of the original Japanese document)

(Subsequent events)

None