

Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 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/>
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 Date of quarterly securities report (tentative): January 10, 2020
 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 three quarters of the fiscal year ending February 2020 (March 1, 2019 – November 30, 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 three quarters ended Nov. 2019	91,483	4.2	10,696	(15.4)	10,446	(18.7)	7,565	(19.6)
First three quarters ended Nov. 2018	87,801	18.3	12,637	11.9	12,845	11.8	9,411	19.1

Note: Comprehensive income: First three quarters of FY Feb./2020: 6,577 million yen [-29.7%],
 First three quarters of FY Feb./2019: 9,351 million yen [24.0%],

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Nov. 2019	158.63		-	
First three quarters ended Nov. 2018	197.33		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of November 30, 2019	109,162		81,589		74.7	
As of February 28, 2019	103,557		77,180		74.5	

Reference: Shareholders' equity

As of November 30, 2019: 81,589 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 position for the fiscal year ended February 28, 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	Yen	Yen	Yen	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: None

(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	114,500	3.9	12,000	(22.1)	11,800	(23.9)	8,550	(24.9)	179.28

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 November 30, 2019: 48,999,000 As of February 28, 2019: 48,999,000

(b) Treasury shares

As of November 30, 2019: 1,312,798 As of February 28, 2019: 1,301,198

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

Period ended November 30, 2019: 47,692,023 Period ended November 30, 2018: 47,694,688

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 November 30, 2019).

* 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

(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 three quarters earnings presentation for institutional investors and analysts will be held on January 21, 2020. 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

The economies in the United States and Europe, the major markets for the Takeuchi Group, in the first three quarters of the fiscal year (March 1, 2019 to November 30, 2019) were generally as follows. Although concerns about prolonged U.S.-China trade friction increased 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. The extended sluggishness in manufacturing sectors also weighed heavily on the economy. However, consumer spending was firm due to the steady labor market and personal income. In Britain, uncertainties continued as the deadline for Brexit was extended. On the other hand, the slowdown in exports that had depressed economic growth headed toward recovery and consumer spending expanded steadily.

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 total sales volume of the Group was flat compared to the previous year as sales volume was sluggish in the U.S. and Britain.

Sales increased 4.2% to 91,483 million yen for the first three quarters of the 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 three quarters instead of a reversal of allowance for doubtful accounts a year ago. Operating income declined 15.4% to 10,696 million yen and ordinary income decreased 18.7% to 10,446 million yen. After income taxes of 2,880 million yen, profit attributable to owners of parent decreased 19.6% to 7,565 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 15.7% to 34,848 million yen. Segment income decreased 17.0% to 7,514 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. Although product sales volume that had declined due to postponement from the first half to the second half of certain shipments because of unseasonal weather have started to recover in the third quarter, the gains only partially made up for the shortfall recorded in the first half of the fiscal year. And product shipments to the U.S. segment were limited due to restrictions on parts procurement, which led to a decrease in sales volume of compact excavators and track loaders. However, sales increased 1.6% to 42,711 million yen due to changes in the product mix. Segment income increased 17.4% to 2,754 million yen due to decline in the prices of products imported from the Japan segment.

(c) United Kingdom

Demand is at high levels as housing and infrastructure construction is strong. However, more customers have become cautious about purchase of products because of a heightened sense of economic stagnation caused by the protracted Brexit issue. As a result, sales volume of compact excavators decreased. Consequently, segment sales decreased 15.7% to 8,774 million yen and segment income decreased 7.9% to 525 million yen.

(d) France

Sales increased 2.0% to 4,935 million yen mainly because sales of TB225, compact excavators launched in March 2018 stayed favorable and the sales volume of other compact excavators and hydraulic excavators increased. Segment income increased 23.8% to 220 million yen.

(e) China

Sales were down 44.8% to 213 million yen mainly because of the lower sales volume of compact excavators and hydraulic excavators. Segment income decreased 92.9% to 26 million yen, which was mainly the result of lower shipment volume of parts to Japan and a provision of allowance for doubtful accounts during the reporting period instead of a reversal of allowance for doubtful accounts a year ago.

(English Translation of the original Japanese Document)

(2) Overview of financial condition

(Assets)

Assets were 109,162 million yen at the end of the third quarter, 5,605 million more than at the end of the previous fiscal year. There were decreases of 3,648 million yen in inventories, 1,466 million yen in cash and deposits due to payment of income taxes and dividend, but notes and accounts receivable-trade increased 8,225 million yen because of sales growth.

(Liabilities)

Liabilities were 27,573 million yen at the end of the third quarter, 1,196 million more than at the end of the previous fiscal year. This was a net result of 1,575 million yen decrease in income taxes payable, and 1,431 million yen increase in notes and accounts payable-trade and 1,206 million yen increase in other in current liabilities.

(Net assets)

Net assets were 81,589 million yen at the end of the third quarter, 4,408 million yen more than the end of the previous year. This is the net result of an increase in retained earnings of 7,565 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.

(3) Forecast for the current fiscal year

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

These forecasts are based on exchange rates of 108 yen to the US dollar, 141 yen to the British pound, 120 yen to the euro and 15.5 yen to the yuan during the rest of the fiscal year.

(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)	Third quarter ended November 2019 (As of November 30, 2019)
ASSETS		
Current assets		
Cash and deposits	35,072	33,606
Notes and accounts receivable-trade	23,156	31,381
Merchandise and finished goods	23,283	19,343
Work in process	1,392	1,208
Raw materials and supplies	5,464	5,939
Other	2,411	3,299
Allowance for doubtful accounts	(1,100)	(1,033)
Total current assets	89,680	93,746
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,144	6,376
Machinery, equipment and vehicles, net	1,337	1,915
Land	2,033	2,040
Other, net	1,574	924
Total property, plant and equipment	10,089	11,257
Intangible assets	556	610
Investments and other assets		
Deferred tax assets	1,527	1,365
Other	1,723	2,203
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	3,229	3,547
Total noncurrent assets	13,876	15,415
Total assets	103,557	109,162

	Fiscal year ended February 2019 (As of February 28, 2019)	Third quarter ended November 2019 (As of November 30, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	20,561	21,992
Income taxes payable	1,902	327
Provision for bonuses	224	237
Provision for product warranties	1,509	1,741
Other	1,619	2,826
Total current liabilities	<u>25,818</u>	<u>27,125</u>
Noncurrent liabilities		
Provision for directors' stock benefits	28	38
Net defined benefit liability	52	51
Other	476	358
Total noncurrent liabilities	<u>558</u>	<u>447</u>
Total liabilities	<u>26,376</u>	<u>27,573</u>
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	71,305	76,722
Treasury shares	(1,965)	(1,985)
Total shareholders' equity	<u>76,605</u>	<u>82,001</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Foreign currency translation adjustment	420	(431)
Remeasurements of defined benefit plans	150	15
Total accumulated other comprehensive income	<u>575</u>	<u>(412)</u>
Total net assets	<u>77,180</u>	<u>81,589</u>
Total liabilities and net assets	<u>103,557</u>	<u>109,162</u>

(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 three quarters)

(Million yen)

	First three quarters ended November 2018 (March 1, 2018– November 30, 2018)	First three quarters ended November 2019 (March 1, 2019– November 30, 2019)
Net sales	87,801	91,483
Cost of sales	68,823	73,455
Gross profit	18,977	18,028
Selling, general and administrative expenses		
Haulage expenses	2,320	2,771
Provision for product warranties	899	861
Provision of allowance for doubtful accounts	(191)	2
Provision for loss on guarantees	(15)	-
Directors' compensations	148	162
Salaries and allowances	1,204	1,292
Provision for bonuses	66	93
Retirement benefit expenses	16	24
Provision for directors' stock benefits	7	9
Other	1,883	2,114
Total selling, general and administrative expenses	6,340	7,332
Operating income	12,637	10,696
Non-operating income		
Interest income	41	82
Dividends income	1	1
Foreign exchange gains	105	-
Other	79	60
Total non-operating income	229	144
Non-operating expenses		
Loss on retirement of non-current assets	10	47
Foreign exchange losses	-	344
Loss on valuation of derivatives	10	-
Other	0	2
Total non-operating expenses	21	394
Ordinary income	12,845	10,446
Extraordinary income		
Gain on transfer of business	198	-
Total extraordinary income	198	-
Profit before income taxes	13,043	10,446
Income taxes - current	3,439	2,801
Income taxes - deferred	191	79
Total income taxes	3,631	2,880
Profit	9,411	7,565
Profit attributable to owners of parent	9,411	7,565

(English Translation of the original Japanese Document)

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

(Million yen)

	First three quarters ended November 2018 (March 1, 2018– November 30, 2018)	First three quarters ended November 2019 (March 1, 2019– November 30, 2019)
Profit	9,411	7,565
Other comprehensive income		
Valuation difference on available-for-sale securities	(12)	0
Foreign currency translation adjustment	(9)	(852)
Remeasurements of defined benefit plans, net of tax	(37)	(135)
Total other comprehensive income	(59)	(987)
Comprehensive income	9,351	6,577
Comprehensive income attributable to owners of parent	9,351	6,577
Comprehensive income attributable to non-controlling interests	-	-

(English Translation of the original Japanese Document)

(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 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.

II. For the first three quarters ended November 2019 (March 1, 2019 – November 30, 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)	34,848	42,711	8,774	4,935	213	91,483	-	91,483
(of which inter-segment)	45,355	-	21	9	1,296	46,683	(46,683)	-
Total	80,204	42,711	8,796	4,944	1,510	138,166	(46,683)	91,483
Segment income	7,514	2,754	525	220	26	11,040	(344)	10,696

- Notes:
1. Adjustment in segment income of -344 million yen includes 590 million yen for elimination of inter-segment trade and -934 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