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July 9, 2020

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 2020 [Japan GAAP]

Name of Company: TAKEUCHI MFG. CO., LTD.
Stock Code: 6432
Stock Exchange Listing: Tokyo Stock Exchange, First Section
URL: <https://www.takeuchi-mfg.co.jp/>
Representative Title: President & Representative Director
Name: Toshiya Takeuchi
Contact Person Title: Director, Manager of Business Management Department
Name: Osamu Kobayashi
Phone: +81-(0)268-81-1200
Date of quarterly securities report (tentative): July 13, 2020
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 2021 (Mar. 1, 2020 – May 31, 2020)

(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, 2020	25,737	(12.9)	2,976	(23.4)	2,911	(22.0)	2,106	(21.4)
First quarter ended May 31, 2019	29,535	10.0	3,886	(18.9)	3,730	(20.7)	2,679	(21.0)

(Note) Comprehensive income: 1Q FY Feb. /2021: 1,627 million yen [(38.5%)], 1Q FY Feb. /2020: 2,646 million yen [15.4 %]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended May 31, 2020	44.17		-	
First quarter ended May 31, 2019	56.17		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2020	103,991		82,924		79.7	
As of February 29, 2020	108,982		83,683		76.8	

(Reference) Shareholders' equity As of May 31, 2020: 82,924 million yen As of February 29, 2020: 83,683 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 Feb. 2020	-	0.00	-	50.00	50.00
Fiscal year ending Feb. 2021	-				
Fiscal year ending Feb. 2021 (estimated)		0.00	-	-	-

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

No forecast has been established for the year-end dividend for the fiscal year ending in February 2021. Takeuchi plans to announce this forecast, based on an assessment of the impact of the COVID-19 pandemic on the Group's consolidated results of operations, when results of operations for the first half of the fiscal year are announced in October 2020.

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3. Forecast for the fiscal year ending February 2021 (Consolidated, Mar. 1, 2020 to February 28, 2021)

(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	45,000	(28.0)	4,300	(45.2)	4,280	(43.0)	3,100	(43.5)	65.01
Full year	93,500	(19.3)	8,400	(33.6)	8,450	(31.9)	6,150	(32.4)	128.97

(Note) Change in the estimation of dividend 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, 2020:	48,999,000	As of February 29, 2020:	48,999,000
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 - (b) Treasury shares

	As of May 31, 2020:	1,312,798	As of February 29, 2020:	1,312,798
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 - (c) Average number of shares

	Period ended May 31, 2020:	47,686,202	Period ended May 31, 2019:	47,697,802
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Note: Treasury shares include shares held by the Board Incentive Plan Trust (58,940 shares as of February 29, 2020 and 58,940 shares as of May 31, 2020).

* This report is exempt from the audit review by a 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 of consolidated business performance

The United States and Europe are the major markets for the Takeuchi Group (hereinafter referred to as “the Group”). In the first quarter (Mar. 1, 2020 -May 31, 2020), regarding the economy of the US and Europe, the corporate investment sentiment has been significantly reduced due to the spread of COVID-19. In addition, housing demand fell sharply along with the rapid slump in personal consumption due to restrictions on consumer activity and deterioration of the employment situation. In May, developed countries of Europe and the US have begun to move toward the gradual resumption of economic activities, such as the lifting of the lockdown measures although the situation in each country differs, and the economic downturn appears to have bottomed out. On the other hand, the reopening of the economy is accompanied by the risk of re-spreading the infection, forcing everyone to refrain from the full speed recovery. In addition, the escalating confrontation between the U.S. and China over the COVID-19 problem and the difficult trade negotiations between the EU and the U.K. has been a cause for concern, and it will take some time for the economy to get back to normal.

Under these circumstances, the Company launched the new hydraulic excavator "TB370" in January 2020 and the new crawler dumper "TCR50-2" in February 2020. However, construction in Europe and the U.S. were delayed due to the lockdowns and curfews, and the business activities of the Group, distributors and dealers were severely restricted. As a result, unit sales in the United States, Europe, and the Group as a whole decreased compared with the same period of the previous year.

As a result of the above, sales decreased 12.9% to 25,737 million yen. In terms of profit, operating income decreased 23.4% to 2,976 million yen and ordinary income decreased 22.0% to 2,911 million yen due to a decrease in sales and a general appreciation of the yen in the major currencies despite the increase in profits because of the price increases. After income taxes of 805 million yen, profit attributable to owners of parent decreased 21.4% to 2,106 million yen.

The geographic segment performance was as follows.

(a) Japan

Most of the segment sales represent shipments to distributors in Europe. Sales of TB370, the new hydraulic excavator introduced in January 2020, contributed to sales, but due to the impact of COVID-19, sales volume to distributors in the EU decreased. As a result, sales decreased 12.6% to 9,589 million yen. Segment income decreased 30.8% to 1,866 million yen because of the decreased sales and the strong yen against major currencies and so on.

(b) United States

Sales volume decreased due to COVID-19, however, sales were almost flat at 12,148 million yen (down 0.3% year on year) due to price increases of machines and changes in the product mix. Segment income increased 64.7% to 1,030 million yen because of the price increase of machines, the changes in the product mix, and the decreased purchase price of machines from the Japan segment.

(c) United Kingdom

Besides the uncertainty of trade negotiations after the departure from the EU, the impact of lockdown due to COVID-19 overlapped, resulting in a significant decrease in sales volume. In addition, pound-denominated sales were affected by the strong yen, resulting in sales decrease of 40.4% to 2,527 million yen. Segment income decreased 18.7% to 191 million yen because of the decreased sales despite the price increase of machines, and the decreased purchase price of machines from the Japan segment.

(d) France

Sales volume significantly decreased due to the impact of the nationwide strike and the lockdown caused by COVID-19. As a result, sales decreased 28.3% to 1,465 million yen and segment income was down 9.0% to 73 million yen due to the decreased sales despite the decreased purchase price of machines from the Japan segment.

(e) China

COVID-19 restricted the attendance of employees at the plant in Qingdao and forced reduced production. As a result, the fixed cost ratio rose, putting pressure on segment profit. Therefore, sales decreased 93.0% to 6 million yen and segment loss was 8 million yen (In the first quarter ended May 2019, segment income was 22 million yen.)

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(2) Overview of financial condition

(Assets)

Assets decreased 4,990 million yen to 103,991 million yen compared to the end of the previous fiscal year. This was mainly because notes and accounts receivable increased 4,921 million yen and inventory increased 2,767 million yen, however cash and deposits decreased 12,462 million yen due to the payment of income tax etc., the payment of the dividend, and increase of working capital and inventory.

(Liabilities)

Liabilities decreased 4,230 million yen to 21,067 million yen compared to the end of the previous fiscal year. This was mainly because notes and accounts payable decreased 4,069 million yen due to the sales volume decreasing and income taxes payable decreased 351 million yen.

(Net assets)

Net assets decreased 759 million yen to 82,924 million yen compared to the end of the previous fiscal year. This was mainly because retained earnings increased 2,106 million yen due to the profit attributable to owners of parent, and decreased 2,387 million yen due to the dividend payment, and foreign currency translation adjustment decreased 469 million yen, etc.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on April 9, 2020 for consolidated results of operations for the first half and full year of the fiscal year ending in February 2021.

The forecast for the current fiscal year is based on assumed exchange rates of 108 yen to the US dollar, 128 yen to the British pound, 118 yen to the euro and 15.50 yen to the yuan.

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2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended February 2020 (As of February 29, 2020)	First quarter ended May 2020 (As of May 31, 2020)
ASSETS		
Current assets		
Cash and deposits	34,220	21,758
Notes and accounts receivable-trade	25,365	30,286
Merchandise and finished goods	23,471	25,746
Work in process	1,415	1,228
Raw materials and supplies	5,656	6,335
Other	3,353	3,200
Allowance for doubtful accounts	(1,099)	(1,038)
Total current assets	92,383	87,518
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,487	6,368
Machinery, equipment and vehicles, net	1,911	1,797
Land	2,077	2,046
Other, net	1,220	1,408
Total property, plant and equipment	11,697	11,620
Intangible assets	621	662
Investments and other assets		
Deferred tax assets	1,875	1,813
Other	2,425	2,399
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	4,279	4,190
Total noncurrent assets	16,599	16,473
Total assets	108,982	103,991

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(Million yen)

	Fiscal year ended February 2020 (As of February 29, 2020)	First quarter ended May 2020 (As of May 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	19,848	15,779
Income taxes payable	1,030	678
Provision for bonuses	334	505
Provision for product warranties	1,736	1,565
Other	1,889	2,090
Total current liabilities	24,838	20,619
Noncurrent liabilities		
Provision for directors' stock benefits	41	43
Retirement benefit liability	67	53
Other	351	351
Total noncurrent liabilities	459	448
Total liabilities	25,298	21,067
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	78,248	77,967
Treasury shares	(1,985)	(1,985)
Total shareholders' equity	83,528	83,247
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(16)
Foreign currency translation adjustment	204	(264)
Remeasurements of defined benefit plans	(41)	(41)
Total accumulated other comprehensive income	155	(322)
Total net assets	83,683	82,924
Total liabilities and net assets	108,982	103,991

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

(Million yen)

	First quarter ended May 2019 (Mar. 1, 2019 – May 31, 2019)	First quarter ended May 2020 (Mar. 1, 2020 – May 31, 2020)
Net sales	29,535	25,737
Cost of sales	23,300	20,405
Gross profit	6,235	5,332
Selling, general and administrative expenses		
Haulage expenses	875	835
Provision for product warranties	327	192
Provision of allowance for doubtful accounts	(0)	(3)
Directors' compensations	43	59
Salaries and allowances	386	423
Provision for bonuses	51	51
Retirement benefit expenses	9	11
Provision for share-based remuneration for directors	2	2
Other	651	783
Total selling, general and administrative expenses	2,348	2,355
Operating income	3,886	2,976
Non-operating income		
Interest income	22	33
Insurance claim income	1	97
Other	15	16
Total non-operating income	39	147
Non-operating expenses		
Loss on retirement of noncurrent assets	10	6
Foreign exchange losses	183	205
Other	0	0
Total non-operating expenses	195	212
Ordinary income	3,730	2,911
Profit before income taxes	3,730	2,911
Income taxes-current	1,001	745
Income taxes-deferred	50	60
Total income taxes	1,051	805
Profit	2,679	2,106
Profit attributable to owners of parent	2,679	2,106

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(Quarterly consolidated statement of comprehensive income)

(For the first quarter)

(Million yen)

	First quarter ended May 2019 (Mar. 1, 2019 – May 31, 2019)	First quarter ended May 2020 (Mar. 1, 2020 – May 31, 2020)
Profit	2,679	2,106
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(8)
Foreign currency translation adjustment	88	(469)
Remeasurements of defined benefit plans, net of tax	(119)	(0)
Total other comprehensive income	(32)	(478)
Comprehensive income	2,646	1,627
Comprehensive income attributable to owners of parent	2,646	1,627
Comprehensive income attributable to non-controlling interests	-	-

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(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information, etc.)

I. For the first quarter ended May 2019 (Mar. 1, 2019 – May 31, 2019)

Information about sales and income (loss) by reporting segments

	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.

II. For the first quarter ended May 2020 (Mar. 1, 2020 – May 31, 2020)

Information about sales and income (loss) by reporting segments

	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)	9,589	12,148	2,527	1,465	6	25,737	-	25,737
(of which inter- segment /transfer)	13,118	-	129	1	451	13,701	(13,701)	-
Total	22,708	12,148	2,657	1,466	457	39,438	(13,701)	25,737
Segment income/loss	1,866	1,030	191	73	(8)	3,152	(176)	2,976

Notes:

1. Adjustment in segment income and loss of -176 million yen includes 128 million yen for elimination of inter-segment trade and -304 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 incomes/losses are adjusted for consistency with operating income on the consolidated statement of income.

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(Subsequent events)

None