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October 9, 2020

Summary of Consolidated Financial Results For the First Half Ended August 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
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Date of quarterly securities report (tentative): October 13, 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 half of the fiscal year ending February 2021 (March 1, 2020 – August 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 half ended August 2020	53,177	(14.9)	6,814	(13.2)	6,758	(10.0)	4,916	(10.3)
First half ended August 2019	62,461	4.4	7,847	(14.6)	7,510	(19.6)	5,483	(20.8)

Note: Comprehensive income: 1H of FY Feb. /2021: 4,255 million yen (-8.5 %), 1H of FY Feb. /2020: 4,649 million yen (-26.3%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended August 2020	103.11		-	
First half ended August 2019	114.98		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2020	111,243		85,552		76.9	
As of February 29, 2020	108,982		83,683		76.8	

Reference: Shareholders' equity

As of August 31, 2020: 85,552 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 February 2020	-	0.00	-	50.00	50.00
Fiscal year ending February 2021	-	0.00	-	-	-
Fiscal year ending February 2021 (est.)	-	-	-	48.00	48.00

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

For more information, please refer to the "Notice Regarding Revision of the Dividend Forecast for the Fiscal Year Ending 2021" released today (October 9, 2020).

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3. Forecast for the fiscal year ending February 2021 (Consolidated, March 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
Full year	101,900	(12.1)	11,100	(12.3)	11,000	(11.3)	8,000	(12.0)	167.76

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) Application 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 shares)

(a) Shares outstanding (including treasury shares)

As of August 31, 2020: 48,999,000 As of February 29, 2020: 48,999,000

(b) Treasury shares

As of August 31, 2020: 1,312,798 As of February 29, 2020: 1,312,798

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

Period ended August 31, 2020: 47,686,202 Period ended August 31, 2019: 47,694,902

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 August 31, 2020).

* 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 Company will stream the live audio about the first half earnings presentation for institutional investors and analysts on October 23, 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

Economies for the first half of the current fiscal year (from March 1, 2020 to August 31, 2020) in the U.S. and Europe, core markets of Takeuchi group, were affected by the spread of COVID-19, which led to a significant reduction in business investment sentiment worldwide and a rapid drop in consumer spending due to travel restrictions and a deterioration in the employment environment as well as a sharp drop in housing demand. In May, the economic downturn bottomed out as the Western developed countries began to resume economic activity gradually, such as the lifting of the lockdown, although the conditions in each country differed. However, the threat of COVID-19 continues to persist, and each government is being forced to manage the very difficult tasks of resuming economic activity and preventing infection at the same time. In addition, there are a number of causes for concern, including the deep-rooted confrontation between the U.S. and China over COVID-19, political and economic stagnation before the U.S. presidential election, and the difficulty of trade negotiations between the EU and the U.K., and the Group assumes that the economy will take some time to return to normal.

Despite this situation, the Company launched the hydraulic excavator TB370 in January 2020, the crawler carrier TCR50-2 in February 2020, the track loader TL8R-2 in April 2020 and the compact excavator TB257FR in August 2020. However, due to lockdowns and curfews, construction works in Europe and the United States were slowed down and sales activities of the Group, distributors and dealers were severely restricted. With the restart of economic activity in Europe and the United States, demand for the Company's products has been recovering toward pre-COVID-19 levels, but sales volumes in the United States, Europe and the Group as a whole were lower than in the same period last year.

As a result, net sales for the first half of the current fiscal year under review decreased 14.9% year on year to 53,177 million yen. On the profit front, operating income was 6,814 million yen (down 13.2% year on year) due to a decline in net sales and the appreciation of the yen against all major currencies, despite factors tending to increase profits, including increases in product sales prices, a decrease in transportation costs associated with the decline in shipment volume, and a decrease in provision for product warranties. Operating income was 6,758 million yen (down 10.0%). After income taxes of 1,841 million yen, profit attributable to owners of parent decreased 10.3% to 4,916 million yen.

Results of operations by geographic segment were as follows:

(a) Japan

Shipments to distributors in the EU account for most of the sales in this segment. Although the new hydraulic excavator TB370, which was launched in January 2020, contributed to the results, sales to European distributors decreased due to the impact of COVID-19, resulting in sales of 22,021 million yen (down 8.1% year on year). Segment income was 3,740 million yen (down 28.7% year on year) due to a decline in sales and the appreciation of the yen against major currencies, despite price increases for European distributors and a decrease in transportation costs due to lower shipments.

(b) United States

Net sales decreased by 13.9% to 23,765 million yen due to the decrease in sales volume caused by COVID-19 and other factors. Segment income increased by 23.0% to 2,104 million yen due to an increase in the selling prices of products, a change in the product mix, and a reduction in the purchase prices of products from the Japan segment.

(c) United Kingdom

In addition to the uncertainty about the outcome of the Brexit debate, the impact of the lockdown caused by COVID-19 caused a significant drop in sales volume. In addition, net sales were down 39.9% to 4,270 million yen as a result of the foreign exchange impact on sales in pounds due to the appreciation of the yen. Segment income decreased by 20.7% to 336 million yen due to a decrease in net sales, despite an increase in the selling prices of products, and a reduction in the purchase prices of products from the Japan segment.

(d) France

The impact of the nationwide strike in France and the lockdown caused by COVID-19 resulted in a significant drop in sales volumes. As a result, net sales decreased 14.3% year on year to 3,096 million yen. Segment income increased 42.8% to 195 million yen due to a reduction in the purchase prices of products from the Japan segment.

(e) China

Segment income was negatively impacted by an increase in the ratio of fixed costs as a result of a reduction in production due to COVID-19, as well as inventory write-downs. As a result, net sales decreased by 85.1% to 24 million yen and the segment loss was 153 million yen (segment profit of 21 million yen in the same quarter last year).

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(2) Overview of financial condition

(a) Assets, liabilities and net assets

(Assets)

Total assets at the end of the second quarter of the current consolidated fiscal year increased by 2,260 million yen compared to the end of the previous fiscal year to 111,243 million yen. This is mainly due to increases of 5,734 million yen in notes and accounts receivable and 2,339 million yen in inventories, respectively, despite decreases of 4,703 million yen in cash and cash equivalents and 817 million yen in other current assets due to payment of income taxes, dividend payments, and increases in working capital and inventories.

(Liabilities)

Total liabilities at the end of the second quarter of the current consolidated fiscal year increased by 392 million yen compared to the end of the previous fiscal year to 25,690 million yen. This is mainly due to increases in notes and accounts payable and income taxes payable of 633 million yen and 288 million yen, respectively, despite decreases of other current liabilities of 310 million yen and provision for product warranties of 194 million yen.

(Net assets)

Total net assets at the end of the second quarter of the current consolidated fiscal year increased by 1,868 million yen compared to the end of the previous fiscal year to 85,552 million yen. This is mainly due to an increase in retained earnings of 4,916 million yen due to profit attributable to owners of parent despite a decrease in retained earnings of 2,387 million yen due to the dividend payment and a decrease in foreign currency exchange adjustment of 654 million yen.

(b) Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the first half of the current consolidated fiscal year decreased by 4,702 million yen year on year to 28,909 million yen.

The following is a summary of cash flows

(Operating activities)

Cash used in operating activities was 1,361 million yen (2,166 million yen gain in the same period last year). Major factors contributing to this result were an increase in trade notes and accounts receivable of 6,038 million yen and an increase in inventories of 2,968 million yen, while net income before income taxes and minority interests was 6,758 million yen and an increase in trade notes and accounts payable of 1,141 million yen.

(Investing activities)

Cash used in investing activities decreased by 1,051 million yen year on year to 1,003 million yen. This is mainly due to the expenditure of 911 million yen for the purchase of property, plant and equipment and 154 million yen for the purchase of intangible assets.

(Financing activities)

Cash used in financing activities increased by 216 million yen year on year to 2,377 million yen. This was mainly due to a dividend payment of 2,376 million yen.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on October 2, 2020 for consolidated forecast for the fiscal year ending February 2021.

This forecast is based on assumed exchange rates of 104 yen to the US dollar, 135 yen to the British pound, 124 yen to the euro and 15.40 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 half ended August 2020 (As of August 31, 2020)
Assets		
Current assets		
Cash and deposits	34,220	29,517
Notes and accounts receivable - trade	25,365	31,099
Merchandise and finished goods	23,471	27,170
Work in process	1,415	1,008
Raw materials and supplies	5,656	4,704
Other	3,353	2,535
Allowance for doubtful accounts	(1,099)	(1,035)
Total current assets	92,383	95,000
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,487	6,581
Machinery, equipment and vehicles, net	1,911	1,897
Land	2,077	2,044
Other, net	1,220	1,189
Total property, plant and equipment	11,697	11,712
Intangible assets	621	695
Investments and other assets		
Deferred tax assets	1,875	1,514
Other	2,425	2,341
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	4,279	3,834
Total non-current assets	16,599	16,242
Total assets	108,982	111,243

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(Million yen)

	Fiscal year ended February 2020 (As of February 29, 2020)	First half ended August 2020 (As of August 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,848	20,482
Income taxes payable	1,030	1,318
Provision for bonuses	334	313
Provision for product warranties	1,736	1,542
Other	1,889	1,579
Total current liabilities	24,838	25,235
Non-current liabilities		
Provision for share-based remuneration for directors (and other officers)	41	46
Retirement benefit liability	67	52
Other	351	355
Total non-current liabilities	459	454
Total liabilities	25,298	25,690
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	78,248	80,778
Treasury shares	(1,985)	(1,985)
Total shareholders' equity	83,528	86,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(12)
Foreign currency translation adjustment	204	(450)
Remeasurements of defined benefit plans	(41)	(42)
Total accumulated other comprehensive income	155	(505)
Total net assets	83,683	85,552
Total liabilities and net assets	108,982	111,243

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(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 2019 (March 1, 2019 – August 31, 2019)	First half ended August 2020 (March 1, 2020 – August 31, 2020)
Net sales	62,461	53,177
Cost of sales	49,668	41,997
Gross profit	12,793	11,180
Selling, general and administrative expenses		
Transportation costs	1,867	1,512
Provision for product warranties	637	382
Provision of allowance for doubtful accounts	5	(3)
Remuneration for directors (and other officers)	101	132
Salaries and allowances	818	839
Provision for bonuses	87	90
Retirement benefit expenses	18	23
Provision for share-based remuneration for directors (and other officers)	6	5
Other	1,403	1,384
Total selling, general and administrative expenses	4,946	4,366
Operating profit	7,847	6,814
Non-operating income		
Interest income	45	44
Insurance claim income	1	100
Other	35	82
Total non-operating income	82	227
Non-operating expenses		
Loss on retirement of non-current assets	37	16
Foreign exchange losses	379	247
Other	1	20
Total non-operating expenses	419	283
Ordinary profit	7,510	6,758
Profit before income taxes	7,510	6,758
Income taxes - current	1,949	1,490
Income taxes - deferred	77	350
Total income taxes	2,026	1,841
Profit	5,483	4,916
Profit attributable to owners of parent	5,483	4,916

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(Quarterly consolidated statements of comprehensive income)

(For the first half)

(Million yen)

	First half ended August 2019 (March 1, 2019 – August 31, 2019)	First half ended August 2020 (March 1, 2020 – August 31, 2020)
Profit	5,483	4,916
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(5)
Foreign currency translation adjustment	(700)	(654)
Remeasurements of defined benefit plans, net of tax	(127)	(0)
Total other comprehensive income	(834)	(661)
Comprehensive income	4,649	4,255
Comprehensive income attributable to owners of parent	4,649	4,255
Comprehensive income attributable to non-controlling interests	—	—

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(3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended August 2019 (March 1, 2019 – August 31, 2019)	First half ended August 2020 (March 1, 2020 – August 31, 2020)
Cash flows from operating activities		
Profit before income taxes	7,510	6,758
Depreciation	666	757
Increase (decrease) in allowance for doubtful accounts	5	(33)
Increase (decrease) in provision for bonuses	71	(20)
Increase (decrease) in provision for product warranties	244	(180)
Decrease (increase) in retirement benefit asset	(16)	13
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	6	5
Interest and dividend income	(47)	(46)
Foreign exchange losses (gains)	(235)	(175)
Loss (gain) on sales of non-current assets	4	3
Loss on retirement of non-current assets	32	12
Decrease (increase) in trade receivables	(10,145)	(6,038)
Decrease (increase) in inventories	4,789	(2,968)
Increase (decrease) in trade payables	1,904	1,141
Decrease (increase) in other assets	(885)	696
Increase (decrease) in other liabilities	479	(232)
Other, net	(15)	(9)
Subtotal	4,371	(316)
Interest and dividends received	49	46
Income taxes paid	(2,254)	(1,091)
Net cash provided by (used in) operating activities	2,166	(1,361)
Cash flows from investing activities		
Decrease (increase) in time deposits	0	0
Purchase of property, plant and equipment	(1,636)	(911)
Proceeds from sales of property, plant and equipment	9	9
Purchase of intangible assets	(139)	(154)
Proceeds from sales of intangible assets	0	—
Purchase of investment securities	(300)	—
Other, net	9	51
Net cash provided by (used in) investing activities	(2,055)	(1,003)
Cash flows from financing activities		
Purchase of treasury shares	(20)	—
Dividends paid	(2,137)	(2,376)
Repayments of lease obligations	(3)	(0)
Net cash provided by (used in) financing activities	(2,161)	(2,377)
Effect of exchange rate change on cash and cash equivalents	7	41
Net increase (decrease) in cash and cash equivalents	(2,042)	(4,702)
Cash and cash equivalents at beginning of period	34,464	33,612
Cash and cash equivalents at end of period	32,422	28,909

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(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 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.

II. For the first half ended August 2020 (March 1, 2020 – August 31, 2020)

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)	22,021	23,765	4,270	3,096	24	53,177	—	53,177
(of which inter- segment)	23,202	—	137	3	846	24,189	(24,189)	—
Total	45,223	23,765	4,408	3,099	870	77,367	(24,189)	53,177
Segment income	3,740	2,104	336	195	(153)	6,223	591	6,814

Notes: 1. Adjustment in segment income of 591 million yen includes 1,178 million yen for elimination of inter-segment trade and -587 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