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January 12, 2021

Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 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 and General Affairs Department
Name: Osamu Kobayashi
Phone: +81-(0)268-81-1200
Date of quarterly securities report (tentative): January 13, 2021
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 three quarters of the fiscal year ending February 2021 (March 1, 2020 – November 30, 2020)

(1) Result of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters ended November 2020	82,087	(10.3)	10,039	(6.1)	10,044	(3.8)	7,308	(3.4)
First three quarters ended November 2019	91,483	4.2	10,696	(15.4)	10,446	(18.7)	7,565	(19.6)

Note: Comprehensive income: First three quarters of FY Feb. /2021: 6,416 million yen [-2.4 %],
First three quarters of FY Feb. /2020: 6,577 million yen [-29.7 %]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First three quarters ended November 2020	153.27	-
First three quarters ended November 2019	158.63	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2020	112,920	87,713	77.7
As of February 29, 2020	108,982	83,683	76.8

Reference: Shareholders' equity

As of November 30, 2020: 87,713 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

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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 profit		Ordinary profit		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 November 30, 2020: 48,999,000 As of February 29, 2020: 48,999,000

(b) Treasury shares

As of November 30, 2020: 1,312,798 As of February 29, 2020: 1,312,798

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

Period ended November 30, 2020: 47,686,202 Period ended November 30, 2019: 47,692,023

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 November 30, 2020).

* This report is exempt from the quarterly audit review.

* 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 economies in the United States and Europe, the major markets for the Takeuchi Group (the Group), in the first three quarters of the fiscal year (March 1, 2020 to November 30, 2020) were generally as follows. In the first quarter, the spread of COVID-19 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 the second quarter, the lockdown measures were lifted. And the economic downturn bottomed out as the Western developed countries began to resume economic activity gradually, although the conditions in each country differed. However, the threat of COVID-19 is still continuing in the third quarter and beyond, and governments are facing the extremely difficult task of balancing social and economic activities with strengthening regulations to prevent the spread of infection.

Despite this situation, the Group 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, in the first half of the fiscal year, sales activities of the Group, distributors, and dealers were severely restricted due to the impact of various precautionary measures to help prevent the spread of infection, including lockdowns and curfews in Europe and the United States. Although the restrictions were eased in the third quarter and the demand for our products started to recover to pre-COVID-19 level, combined with the pent-up demand, the drop in the first half of the fiscal year was significant and the sales volume decreased in the first three quarters of the fiscal year compared to the same period of the previous fiscal year.

As a result, net sales for the first three quarters of the fiscal year under review was 82,087 million yen (down 10.3% year on year). On the profit front, operating profit was 10,039 million yen (down 6.1% 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. Ordinary profit was 10,044 million yen (down 3.8% year on year). After income taxes of 2,736 million yen, profit attributable to owners of parent was 7,308 million yen (down 3.4% year on year).

Geographic segment performances 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 volume to European distributors decreased due to the impact of COVID-19, resulting in net sales of 31,432 million yen (down 9.8% year on year). Segment profit was 5,545 million yen (down 26.2% year on year) due to a decline in sales and the appreciation of the yen against major currencies, although there were factors increasing profit such as price increases for European distributors and a decrease in transportation costs due to lower shipments.

(b) United States

The sales volume decreased in the first half of the fiscal year due to the reasons such as significant restriction of sales activities caused by COVID-19, however, the sales volume in the third quarter recovered to almost the same level as the previous year due to the emergence of pent-up demand along with the resumption of sales activities and the sales growth of track loaders such as the new model TL8R-2, which was launched in April 2020. Despite this recovery, due to the significant drop in the first half of the fiscal year, the sales volume during the first three quarters of the fiscal year decreased compared to the same period of the previous year, resulting in net sales of 38,960 million yen (down 8.8% year on year). Segment profit increased by 23.6% to 3,405 million yen due to an increase in the selling prices, 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 led to a significant drop in sales volume for the first half of the fiscal year. However, as economic activity resumed, pent-up demand emerged, and sales volume in the third quarter was significantly higher than the same period of the previous fiscal year. Nonetheless, it was not enough to make up for the drop in the first half of the fiscal year, and the sales volume decreased during the first three quarters of the fiscal year under review, resulting in net sales of 6,663 million yen (down 24.1% year on year). Segment profit was 539 million yen (up 2.8% year on year) due to an increase in the selling prices of products, and a reduction in the purchase prices of products from the Japan segment, etc., despite a decrease in net sales.

(d) France

The impact of the nationwide strike in France and the lockdown caused by COVID-19 resulted in a drop in sales volume for the first half of the fiscal year. However, as economic activity resumed, pent-up demand emerged, and sales volume in the third quarter was higher than the same period of the previous fiscal year. As a result, recovering from the decline in the first half, sales volume in the first three quarters of the fiscal year recovered to almost the same level as the previous fiscal year, and net sales were 5,001 million yen (up 1.3% year on year).

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Segment profit was 331 million yen (up 50.5% year on year) due to a reduction in the purchase prices of products from the Japan segment, etc.

(e) China

Segment profit 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 were 29 million yen (down 86.1% year on year) and the segment loss was 185 million yen (segment profit of 26 million yen in the same period of the previous fiscal year).

(2) Overview of financial condition

(Assets)

Total assets at the end of the third quarter of the fiscal year increased by 3,937 million yen compared to the end of the previous fiscal year to 112,920 million yen. This was mainly due to increases in notes and accounts receivable - trade of 3,833 million yen and cash and deposits of 1,634 million yen because of the net sales increase, despite a decrease of inventories of 1,030 million yen.

(Liabilities)

Total liabilities at the end of the third quarter of the consolidated fiscal year decreased by 92 million yen compared to the end of the previous fiscal year to 25,206 million yen. This was mainly due to decreases in income taxes payable of 744 million yen, provision for product warranties of 155 million yen, and provision for bonuses of 99 million yen, despite the increases in other current liabilities of 733 million yen and notes and accounts payable - trade of 175 million yen.

(Net assets)

Total net assets at the end of the third quarter of the fiscal year increased by 4,029 million yen compared to the end of the previous fiscal year to 87,713 million yen. This was mainly due to the increase in retained earnings of 7,308 million yen because of profit attributable to owners of parent, although there were decreases in retained earnings of 2,387 million yen because of the dividend payment, and foreign currency translation adjustment of 888 million yen.

(3) Forecast for the current fiscal year

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

This forecast is based on assumed exchange rates for the third quarter onwards 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)	Third Quarter ended November 2020 (As of November 30, 2020)
Assets		
Current assets		
Cash and deposits	34,220	35,855
Notes and accounts receivable - trade	25,365	29,198
Merchandise and finished goods	23,471	23,713
Work in process	1,415	974
Raw materials and supplies	5,656	4,825
Other	3,353	3,074
Allowance for doubtful accounts	(1,099)	(1,055)
Total current assets	92,383	96,585
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,487	7,107
Machinery, equipment and vehicles, net	1,911	1,902
Land	2,077	2,054
Other, net	1,220	776
Total property, plant and equipment	11,697	11,841
Intangible assets	621	684
Investments and other assets		
Deferred tax assets	1,875	1,507
Other	2,425	2,322
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	4,279	3,808
Total non-current assets	16,599	16,334
Total assets	108,982	112,920

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(Million yen)

	Fiscal year ended February 2020 (As of February 29, 2020)	Third Quarter ended November 2020 (As of November 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,848	20,023
Income taxes payable	1,030	285
Provision for bonuses	334	234
Provision for product warranties	1,736	1,581
Other	1,889	2,623
Total current liabilities	24,838	24,748
Non-current liabilities		
Provision for share-based remuneration for directors (and other officers)	41	50
Retirement benefit liability	67	51
Other	351	355
Total non-current liabilities	459	458
Total liabilities	25,298	25,206
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	78,248	83,170
Treasury shares	(1,985)	(1,985)
Total shareholders' equity	83,528	88,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(9)
Foreign currency translation adjustment	204	(683)
Remeasurements of defined benefit plans	(41)	(42)
Total accumulated other comprehensive income	155	(736)
Total net assets	83,683	87,713
Total liabilities and net assets	108,982	112,920

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(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 2019 (March 1, 2019 – November 30, 2019)	First three quarters ended November 2020 (March 1, 2020 – November 30, 2020)
Net sales	91,483	82,087
Cost of sales	73,455	65,525
Gross profit	18,028	16,562
Selling, general and administrative expenses		
Transportation costs	2,771	2,189
Provision for product warranties	861	614
Provision of allowance for doubtful accounts	2	(3)
Remuneration for directors (and other officers)	162	204
Salaries and allowances	1,292	1,327
Provision for bonuses	93	87
Retirement benefit expenses	24	34
Provision for share-based remuneration for directors (and other officers)	9	9
Other	2,114	2,058
Total selling, general and administrative expenses	7,332	6,522
Operating profit	10,696	10,039
Non-operating income		
Interest income	82	52
Insurance claim income	3	100
Other	58	88
Total non-operating income	144	242
Non-operating expenses		
Loss on retirement of non-current assets	47	26
Foreign exchange losses	344	190
Other	2	20
Total non-operating expenses	394	237
Ordinary profit	10,446	10,044
Profit before income taxes	10,446	10,044
Income taxes - current	2,801	2,390
Income taxes - deferred	79	345
Total income taxes	2,880	2,736
Profit	7,565	7,308
Profit attributable to owners of parent	7,565	7,308

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(Quarterly consolidated statements of comprehensive income)

(For the first three quarters)

(Million yen)

	First three quarters ended November 2019 (March 1, 2019 – November 30, 2019)	First three quarters ended November 2020 (March 1, 2020 – November 30, 2020)
Profit	7,565	7,308
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(2)
Foreign currency translation adjustment	(852)	(888)
Remeasurements of defined benefit plans, net of tax	(135)	(1)
Total other comprehensive income	(987)	(891)
Comprehensive income	6,577	6,416
Comprehensive income attributable to owners of parent	6,577	6,416
Comprehensive income attributable to non-controlling interests	—	—

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(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 2019 (March 1, 2019 – November 30, 2019)

Information about sales and profit (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 profit	7,514	2,754	525	220	26	11,040	(344)	10,696

Notes: 1. Adjustment in segment profit 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 profit is adjusted for operating profit on the quarterly consolidated statements of income.

II. For the first three quarters ended November 2020 (March 1, 2020 – November 30, 2020)

Information about sales and profit (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)	31,432	38,960	6,663	5,001	29	82,087	—	82,087
(of which inter- segment)	36,107	—	149	5	1,171	37,434	(37,434)	—
Total	67,539	38,960	6,812	5,007	1,201	119,522	(37,434)	82,087
Segment profit	5,545	3,405	539	331	(185)	9,636	403	10,039

Notes: 1. Adjustment in segment profit of 403 million yen includes 1,307 million yen for elimination of inter-segment trade and -904 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 profit is adjusted for operating profit on the quarterly consolidated statements of income.

(Subsequent events)

None