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April 9, 2021

Summary of Consolidated Financial Results For the Fiscal Year Ended February 28, 2021 [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 regular general meeting of shareholders (tentative): May 27, 2021
Date of commencement of dividend payment (tentative): May 28, 2021
Date of securities report (tentative): May 27, 2021
Supplementary explanatory documents: Yes
Earnings presentation: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Consolidated financial results for the fiscal year ended February 2021 (March 1, 2020 – February 28, 2021)

(1) Result of operations (Consolidated)

(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 | % |
| Fiscal year ended Feb. 2021 | 112,254 | (3.2) | 13,207 | 4.4 | 13,298 | 7.2 | 9,765 | 7.4 |
| Fiscal year ended Feb. 2020 | 115,913 | 5.2 | 12,649 | (17.9) | 12,403 | (20.0) | 9,091 | (20.2) |

(Note) Comprehensive income: FY Feb./2021: 8,611 million yen [-0.7%], FY Feb./2020: 8,672 million yen [-19.6 %]

| | Earnings per share | Earnings per share fully diluted | Return on equity | Ratio of ordinary income to assets | Ratio of operating income to net sales |
|-----------------------------|--------------------|----------------------------------|------------------|------------------------------------|--|
| | Yen | Yen | % | % | % |
| Fiscal year ended Feb. 2021 | 204.78 | - | 11.3 | 11.8 | 11.8 |
| Fiscal year ended Feb. 2020 | 190.64 | - | 11.3 | 11.7 | 10.9 |

(Reference) Equity in income/losses of affiliates: FY Feb./2021 - million yen FY Feb./2020 - million yen

(2) Financial Position (Consolidated)

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of February 28, 2021 | 115,525 | 89,908 | 77.8 | 1,885.41 |
| As of February 29, 2020 | 108,982 | 83,683 | 76.8 | 1,754.88 |

(Reference) Shareholders' equity As of February 28, 2021: 89,908 million yen As of February 29, 2020: 83,683 million yen

(3) Cash flow position (Consolidated)

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|-----------------------------|---|---|---|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended Feb. 2021 | 10,378 | (1,967) | (2,389) | 39,619 |
| Fiscal year ended Feb. 2020 | 5,489 | (4,096) | (2,180) | 33,612 |

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2. Dividends

| | Dividend per share | | | | | Annual total amount | Payout ratio (Consolidated) | Dividends/ net assets (Consolidated) |
|--|--------------------|-----------|-----------|-----------|-----------|---------------------|-----------------------------|--------------------------------------|
| | End of 1Q | End of 2Q | End of 3Q | End of FY | Full year | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended Feb. 2020 | - | 0.00 | - | 50.00 | 50.00 | 2,387 | 26.2 | 3.0 |
| Fiscal year ended Feb. 2021 | - | 0.00 | - | 53.00 | 53.00 | 2,530 | 25.9 | 2.9 |
| Fiscal year ending Feb. 2022 (estimated) | - | 0.00 | - | 53.00 | 53.00 | | 28.4 | |

3. Forecast for the fiscal year ending February 2022 (Consolidated, March 1, 2021 to February 28, 2022)

(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 |
| First half | 68,700 | 29.2 | 7,600 | 11.5 | 7,650 | 13.2 | 5,600 | 13.9 | 117.43 |
| Full year | 123,300 | 9.8 | 12,100 | (8.4) | 12,200 | (8.3) | 8,900 | (8.9) | 186.64 |

* Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) 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

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of February 28, 2021: 48,999,000 As of February 29, 2020: 48,999,000

(b) Treasury shares

As of February 28, 2021: 1,312,841 As of February 29, 2020: 1,312,798

(c) Average number of shares

Period ended February 28, 2021: 47,686,197 Period ended February 29, 2020: 47,690,576

Note: Treasury shares include shares held by the Board Incentive Plan Trust (58,940 shares as of February 28, 2021 and 58,940 shares as of February 29, 2020).

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended February 2021 (March 1, 2020 – February 28, 2021)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-----------------------------|-------------|--------|------------------|--------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended Feb. 2021 | 95,796 | (10.8) | 6,751 | (21.4) | 6,777 | (17.9) | 4,904 | (17.0) |
| Fiscal year ended Feb. 2020 | 107,366 | 10.0 | 8,587 | (17.9) | 8,258 | (21.4) | 5,908 | (21.5) |

| | Earnings per share | | Earnings per share fully diluted | |
|---------------------------------|--------------------|-----|----------------------------------|-----|
| | Yen | Yen | Yen | Yen |
| Fiscal year ended February 2021 | 102.84 | - | - | - |
| Fiscal year ended February 2020 | 123.90 | - | - | - |

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(2) Financial Position (Non-consolidated)

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of February 28, 2021 | 95,940 | 70,587 | 73.6 | 1,480.26 |
| As of February 29, 2020 | 92,045 | 68,073 | 74.0 | 1,427.54 |

(Reference) Shareholders' equity As of Feb. 28, 2021: 70,587 million yen As of Feb. 29, 2020: 68,073 million yen

* 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

(1) 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 "1. Results of Operations (4) Outlook for fiscal year ending in February 2022" on page 4 of the Supplementary Information.

(2) To receive supplementary explanatory documents and contents of earnings presentation

On April 23, 2021, the Company will conduct a live streaming of the financial results presentation for institutional investors and analysts. The presentation materials will be posted on the Company's website immediately after the presentation.

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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. 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 nations began to resume economic activity gradually. However, the threat of COVID-19 still continued after the third quarter, and a number of highly infectious variants were reported in the fourth quarter, forcing governments to strengthen or extend regulatory measures such as lockdowns. Although there are growing expectations that socioeconomic activities will normalize along with the progress of vaccinations that have started in Japan and overseas, the future outlook remains unpredictable due to many uncertain factors.

Despite this situation, the Takeuchi 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, the compact excavator TB257FR in August 2020, and the compact excavator TB325R in February 2021. In the first half of the fiscal year, sales activities of the Takeuchi 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. In the third quarter, the restrictions were eased, and combined with pent-up demand, the demand for our products began to recover to the pre-COVID-19 level. In the fourth quarter, the demand for our products further strengthened, and the sales volume significantly exceeded the same period of the previous fiscal year,

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however, the decline in the first half of the fiscal year was not recovered, and the sales volume for the fiscal year was down compared to the previous year.

As a result, net sales for the consolidated fiscal year under review were 112,254 million yen (down 3.2% from the previous consolidated fiscal year). On the profit front, operating profit was 13,207 million yen (up 4.4% year on year) and ordinary profit was 13,298 million yen (up 7.2% year on year), despite the decrease in sales, due to the increase in product selling prices, the decrease in transportation costs resulting from the decrease in the number of units shipped, and the decrease in promotion expenses and travel and transportation expenses resulting from the reduction of business activities due to the COVID-19 pandemic. After income taxes of 3,532 million yen, profit attributable to owners of parent was 9,765 million yen (up 7.4% year on year).

Geographic segment performance was as follows.

(a) Japan

Shipments to distributors in the EU account for most of the sales in this segment. Although the sale of new hydraulic excavator TB370, which was launched in January 2020, was favorable, the sales volume to European distributors decreased until the third quarter due to the impact of COVID-19. In the fourth quarter, sales were much higher than in the same period of the previous fiscal year, however, it was not enough to recover the decline in sales through the third quarter, and the sales volume for the current fiscal year decreased, resulting in net sales of 44,529 million yen (down 2.6% year on year). Segment profit was 7,929 million yen (down 19.6% 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 reasons such as significant restriction of sales activities caused by COVID-19. In addition to the emergence of pent-up demand following the resumption of sales activities, there has been a strong increase in housing-related construction in various parts of the United States in conjunction with the growing demand for housing in the suburbs due to the prolonged COVID-19 pandemic. Due to these reasons, the sales volume in the second half of the current fiscal year was up from the same period of the previous fiscal year. Although sales of the new track loader TL8R-2, which was launched in April 2020, were strong, sales in the second half of the fiscal year was not sufficient to recover from the decline in the first half of the fiscal year, and the sales volume decreased in the current fiscal year compared to the previous fiscal year, resulting in net sales of 52,252 million yen (down 1.8% year on year). Segment profit increased by 26.8% to 4,526 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 measure 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 second half of the fiscal year was significantly higher than the same period of the previous fiscal year. However, it was not sufficient to recover from the decline in the first half of the fiscal year, and the sales volume decreased in this fiscal year, resulting in net sales of 8,507 million yen (down 16.4% year on year). Segment profit was 657 million yen (up 19.2% 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 impacts such as the lockdown measure 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 second half of the fiscal year was higher than the same period of the previous fiscal year. As a result, the sales volume for the fiscal year under review exceeded the previous year's level, recovering from the decline in the first half, and net sales were 6,914 million yen (up 5.6% year on year), and segment profit was 440 million yen (up 34.8% year on year) due to the price reduction of products purchased 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 50 million yen (down 77.8% year on year) and the segment loss was 210 million yen (segment profit of 46 million yen in the same period of the previous fiscal year).

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(2) Overview of financial condition

Assets were 115,525 million yen at the end of the current fiscal year, 6,543 million yen more than at the end of the previous fiscal year. This was mainly due to increases in cash and deposits of 6,006 million yen and notes and accounts receivable - trade of 1,807 million yen because of the net sales increase in the second half of the fiscal year, despite a decrease in inventory of 1,216 million yen.

Total liabilities increased by 318 million yen compared to the end of the previous fiscal year to 25,617 million yen. This was mainly due to an increase in other current liabilities of 803 million yen, despite decreases of 376 million yen in notes and accounts payable-trade and 122 million yen in provision for product warranties.

Net assets increased 6,224 million yen to 89,908 million yen. This was mainly due to the increase in retained earnings of 9,765 million yen because of profit attributable to owners of parent for the fiscal year under review, although there were decreases in retained earnings of 2,387 million yen because of the dividend payment, and foreign currency translation adjustment of 1,199 million yen.

(3) Overview of cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year under review increased by 6,006 million yen year on year to 39,619 million yen.

The following is a summary of cash flow.

(Operating activities)

Net cash provided by operating activities in the fiscal year under review increased by 4,888 million yen year on year to 10,378 million yen.

Major uses of cash were income taxes paid of 3,348 million yen and an increase in notes and accounts receivable-trade of 2,396 million yen. However, major sources of cash were profit before income taxes of 13,298 million yen, depreciation of 1,676 million yen, and an increase in notes and accounts payable-trade of 425 million yen.

(Investing activities)

Net cash used in investing activities decreased by 2,129 million yen year on year to 1,967 million yen.

This is mainly due to the expenditure of 1,800 million yen for the purchase of property, plant and equipment and 245 million yen for the purchase of intangible assets.

(Financing activities)

Net cash used in financing activities increased by 209 million yen year on year to 2,389 million yen.

This was mainly due to a dividend payment of 2,387 million yen.

(Reference) Cash flow indices

| | FY Feb./2017 | FY Feb./2018 | FY Feb./2019 | FY Feb./2020 | FY Feb./2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity ratio (%) | 72.7 | 74.5 | 74.5 | 76.8 | 77.8 |
| Market capitalization equity ratio (%) | 129.7 | 134.9 | 89.8 | 72.4 | 111.2 |
| Cash flow to debt ratio (years) | - | - | - | - | - |
| Interest coverage ratio (times) | 1,293.4 | 4,623.0 | - | - | - |

Equity ratio = Shareholders' equity/Total assets

Market capitalization equity ratio = Market capitalization/Total assets

Cash flow to debt ratio = Interest-bearing debts/Operating cash flows

Interest coverage ratio = Operating cash flows/Interest expenses paid

Notes:

1. Consolidated financial data are used for all ratios.
2. Market capitalization is based on the number of shares issued after deducting treasury shares.
3. Interest-bearing debt is all balance sheet liabilities on which interest is paid.
4. Operating cash flows and interest expenses paid are the corresponding figures on the statements of cash flows.
5. No cash flow to debt ratio is shown because there were no interest-bearing debts.
6. No interest coverage ratio for the FY Feb./2019, FY Feb./2020, and FY Feb./2021 is shown because there were no interest expenses paid.
7. Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Statement No. 28, February 16, 2018) has been applied since the beginning of FY Feb./ 2020. These amendments have been applied retroactively to figures used for cash flow indices for FY Feb./2017 to FY Feb./2019.

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(4) Outlook for fiscal year ending in February 2022

| | FY Feb./2021 | Forecast for FY Feb./2022 | Change |
|---|--------------|------------------------------|--------|
| | Million yen | Million yen | % |
| Net sales | 112,254 | 123,300 | 9.8 |
| Operating profit | 13,207 | 12,100 | (8.4) |
| Ordinary profit | 13,298 | 12,200 | (8.3) |
| Profit attributable to owners of parent | 9,765 | 8,900 | (8.9) |

Exchange rates

| | Average in FY Feb./2021 | Assumption for FY Feb./2022 |
|---------------|----------------------------|--------------------------------|
| | Yen | Yen |
| US dollar | 106.13 | 107.00 |
| British pound | 137.88 | 148.00 |
| Euro | 122.91 | 127.00 |
| Yuan | 15.41 | 16.40 |

The Takeuchi Group's major markets are the United States and Europe. In the first half of the fiscal year under review, the business was severely affected by COVID-19 and fell sharply, but in the second half of the fiscal year, demand for our products recovered steadily, and net sales and profits both exceeded those of the same period of the previous fiscal year. The Company believes this was due to the fact that our products are indispensable to businesses that support social infrastructure (Essential Business), and even in a COVID-19 pandemic, civil engineering works have resumed at a rapid pace, resulting in the emergence of pent-up demand. This strong sales situation was expected to continue in the fiscal year ending February 2022 in both Europe and the United States, with sales volume exceeding significantly that of the consolidated fiscal year under review. Although production and sales of some models are expected to be affected by the worldwide shortage of semiconductors, consolidated net sales for the next fiscal year are expected to increase by 9.8% from the current fiscal year to 123,300 million yen.

Earnings forecasts are operating profit of 12,100 million yen (down 8.4% year on year), ordinary profit of 12,200 million yen (down 8.3% year on year), and profit attributable to owners of parent of 8,900 million yen (down 8.9% year on year). This is due to a rise in the cost of raw materials, mainly steel products, as well as an increase in the number of units produced and shipped from Japan to Europe and the United States, along with a large increase in transportation costs due to a sharp rise in ocean freight rates to Europe and the United States, despite the expected increase in profits from sales price increases, increased sales volume, and the assumed weaker yen exchange rate. This forecast is based on information that was available when this summary of consolidated financial results was released. The forecast is vulnerable to many uncertainties including, but not limited to, changes in demand and other aspects of market conditions and foreign exchange rate movements. Consequently, actual results of operations may differ from this forecast because of changes in a variety of factors.

2. Basic stance for the selection of accounting standards

The policy of the Takeuchi Group is to continue preparing consolidated financial statements based on Japanese accounting standards for the time being.

For the application of international accounting standards, actions will be taken in an appropriate manner based on all relevant factors in Japan and other countries.

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3. Consolidated Financial Statements and Important Notes

(1) Consolidated balance sheet

(Millions of yen)

| | As of February 29, 2020 | As of February 28, 2021 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 34,220 | 40,227 |
| Notes and accounts receivable - trade | 25,365 | 27,172 |
| Merchandise and finished goods | 23,471 | 23,061 |
| Work in process | 1,415 | 1,238 |
| Raw materials and supplies | 5,656 | 5,026 |
| Other | 3,353 | 3,536 |
| Allowance for doubtful accounts | (1,099) | (1,078) |
| Total current assets | 92,383 | 99,184 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,487 | 7,074 |
| Machinery, equipment and vehicles, net | 1,911 | 1,836 |
| Tools, furniture and fixtures, net | 497 | 465 |
| Land | 2,077 | 2,063 |
| Construction in progress | 723 | 377 |
| Total property, plant and equipment | 11,697 | 11,818 |
| Intangible assets | 621 | 732 |
| Investments and other assets | | |
| Investment securities | 1,676 | 1,361 |
| Deferred tax assets | 1,875 | 1,717 |
| Retirement benefit asset | 215 | 259 |
| Other | 534 | 473 |
| Allowance for doubtful accounts | (21) | (21) |
| Total investments and other assets | 4,279 | 3,790 |
| Total non-current assets | 16,599 | 16,340 |
| Total assets | 108,982 | 115,525 |

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(Millions of yen)

| | As of February 29, 2020 | As of February 28, 2021 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 19,848 | 19,471 |
| Income taxes payable | 1,030 | 987 |
| Provision for bonuses | 334 | 375 |
| Provision for product warranties | 1,736 | 1,614 |
| Other | 1,889 | 2,692 |
| Total current liabilities | 24,838 | 25,142 |
| Non-current liabilities | | |
| Provision for share-based remuneration for directors (and other officers) | 41 | 55 |
| Retirement benefit liability | 67 | 62 |
| Other | 351 | 356 |
| Total non-current liabilities | 459 | 474 |
| Total liabilities | 25,298 | 25,617 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,632 | 3,632 |
| Capital surplus | 3,631 | 3,631 |
| Retained earnings | 78,248 | 85,626 |
| Treasury shares | (1,985) | (1,985) |
| Total shareholders' equity | 83,528 | 90,906 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (7) | (10) |
| Foreign currency translation adjustment | 204 | (994) |
| Remeasurements of defined benefit plans | (41) | 6 |
| Total accumulated other comprehensive income | 155 | (997) |
| Total net assets | 83,683 | 89,908 |
| Total liabilities and net assets | 108,982 | 115,525 |

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(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)

(Millions of yen)

| | Fiscal year ended February 29, 2020 | Fiscal year ended February 28, 2021 |
|---|--|--|
| Net sales | 115,913 | 112,254 |
| Cost of sales | 93,313 | 90,146 |
| Gross profit | 22,599 | 22,108 |
| Selling, general and administrative expenses | | |
| Transportation costs | 3,749 | 3,097 |
| Provision for product warranties | 1,086 | 1,086 |
| Provision of allowance for doubtful accounts | 0 | (4) |
| Remuneration for directors (and other officers) | 234 | 277 |
| Salaries and allowances | 1,827 | 1,870 |
| Provision for bonuses | 61 | 72 |
| Retirement benefit expenses | 53 | 62 |
| Provision for share-based remuneration for directors (and other officers) | 12 | 14 |
| Other | 2,923 | 2,423 |
| Total selling, general and administrative expenses | 9,950 | 8,900 |
| Operating profit | 12,649 | 13,207 |
| Non-operating income | | |
| Interest income | 119 | 61 |
| Dividend income | 2 | 2 |
| Insurance claim income | 4 | 101 |
| Surrender value of insurance policies | 1 | 35 |
| Other | 67 | 83 |
| Total non-operating income | 194 | 284 |
| Non-operating expenses | | |
| Loss on retirement of non-current assets | 48 | 24 |
| Foreign exchange losses | 388 | 145 |
| Other | 4 | 24 |
| Total non-operating expenses | 441 | 194 |
| Ordinary profit | 12,403 | 13,298 |
| Profit before income taxes | 12,403 | 13,298 |
| Income taxes - current | 3,710 | 3,434 |
| Income taxes - deferred | (399) | 98 |
| Total income taxes | 3,311 | 3,532 |
| Profit | 9,091 | 9,765 |
| Profit attributable to owners of parent | 9,091 | 9,765 |

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(Consolidated statement of comprehensive income)

(Millions of yen)

| | Fiscal year ended February 29, 2020 | Fiscal year ended February 28, 2021 |
|--|--|--|
| Profit | 9,091 | 9,765 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (10) | (2) |
| Foreign currency translation adjustment | (216) | (1,199) |
| Remeasurements of defined benefit plans, net of tax | (192) | 48 |
| Total other comprehensive income | (419) | (1,153) |
| Comprehensive income | 8,672 | 8,611 |
| Comprehensive income attributable to owners of parent | 8,672 | 8,611 |
| Comprehensive income attributable to non-controlling interests | — | — |

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(3) Consolidated statement of changes in equity

Previous fiscal year (March 1, 2019 – February 29, 2020)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 3,632 | 3,631 | 71,305 | (1,965) | 76,605 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,148) | | (2,148) |
| Profit attributable to owners of parent | | | 9,091 | | 9,091 |
| Purchase of treasury shares | | | | (20) | (20) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | — | 6,943 | (20) | 6,922 |
| Balance at end of period | 3,632 | 3,631 | 78,248 | (1,985) | 83,528 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of period | 3 | 420 | 150 | 575 | 77,180 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (2,148) |
| Profit attributable to owners of parent | | | | | 9,091 |
| Purchase of treasury shares | | | | | (20) |
| Net changes in items other than shareholders' equity | (10) | (216) | (192) | (419) | (419) |
| Total changes during period | (10) | (216) | (192) | (419) | 6,503 |
| Balance at end of period | (7) | 204 | (41) | 155 | 83,683 |

(English translation of the original Japanese document)

In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Current fiscal year (March 1, 2020 – February 28, 2021)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 3,632 | 3,631 | 78,248 | (1,985) | 83,528 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (2,387) | | (2,387) |
| Profit attributable to owners of parent | | | 9,765 | | 9,765 |
| Purchase of treasury shares | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | - | 7,378 | (0) | 7,377 |
| Balance at end of current period | 3,632 | 3,631 | 85,626 | (1,985) | 90,906 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | (7) | 204 | (41) | 155 | 83,683 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (2,387) |
| Profit attributable to owners of parent | | | | | 9,765 |
| Purchase of treasury shares | | | | | (0) |
| Net changes of items other than shareholders' equity | (2) | (1,199) | 48 | (1,153) | (1,153) |
| Total changes of items during period | (2) | (1,199) | 48 | (1,153) | 6,224 |
| Balance at end of current period | (10) | (994) | 6 | (997) | 89,908 |

(English translation of the original Japanese document)

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(4) Consolidated statement of cash flows

(Millions of yen)

| | Fiscal year ended February 29, 2020 | Fiscal year ended February 28, 2021 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 12,403 | 13,298 |
| Depreciation | 1,529 | 1,676 |
| Increase (decrease) in allowance for doubtful accounts | 31 | (34) |
| Increase (decrease) in provision for bonuses | 109 | 42 |
| Increase (decrease) in provision for product warranties | 236 | (74) |
| Decrease (increase) in retirement benefit asset | (31) | 24 |
| Increase (decrease) in provision for share-based remuneration for directors (and other officers) | 12 | 14 |
| Interest and dividend income | (122) | (64) |
| Foreign exchange losses (gains) | (15) | (334) |
| Loss (gain) on sales of non-current assets | (3) | 0 |
| Loss on retirement of non-current assets | 48 | 24 |
| Decrease (increase) in trade receivables | (2,519) | (2,396) |
| Decrease (increase) in inventories | (492) | 221 |
| Increase (decrease) in trade payables | (445) | 425 |
| Decrease (increase) in other assets | (1,020) | (1) |
| Increase (decrease) in other liabilities | 240 | 854 |
| Other, net | (18) | (14) |
| Subtotal | 9,942 | 13,662 |
| Interest and dividends received | 125 | 63 |
| Income taxes paid | (4,577) | (3,348) |
| Net cash provided by (used in) operating activities | 5,489 | 10,378 |
| Cash flows from investing activities | | |
| Decrease (increase) in time deposits | (0) | (0) |
| Purchase of property, plant and equipment | (2,965) | (1,800) |
| Proceeds from sales of property, plant and equipment | 19 | 14 |
| Purchase of intangible assets | (265) | (245) |
| Proceeds from sales of intangible assets | 0 | — |
| Purchase of investment securities | (900) | — |
| Proceeds from sales of investment securities | 20 | 10 |
| Other, net | (6) | 53 |
| Net cash provided by (used in) investing activities | (4,096) | (1,967) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (20) | (0) |
| Dividends paid | (2,154) | (2,387) |
| Repayments of lease obligations | (5) | (2) |
| Net cash provided by (used in) financing activities | (2,180) | (2,389) |
| Effect of exchange rate change on cash and cash equivalents | (64) | (14) |
| Net increase (decrease) in cash and cash equivalents | (851) | 6,006 |
| Cash and cash equivalents at beginning of period | 34,464 | 33,612 |
| Cash and cash equivalents at end of period | 33,612 | 39,619 |

(English translation of the original Japanese document)

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(5) Notes to the consolidated financial statements

(Notes to going concern assumptions)

None

(Changes in accounting principles)

None

(Change in presentation method)

(Consolidated statement of income)

"Insurance claim income" and "surrender value of insurance policies," which had been included in "Other" under non-operating income until the previous fiscal year, are presented as separate items in the fiscal year under review because the amounts exceeded 10% of total non-operating income.

(Supplementary information)

(Compensation linked to results of operations)

Takeuchi has established a compensation system for directors (except outside directors and directors who are members of the Audit and Supervisory Committee, same hereafter in this section) that is linked to results of operations. The purpose is to increase the directors' commitment to the medium to long-term growth of Takeuchi's corporate value and earnings by more clearly linking their compensation with the company's stock price.

1) Summary

This compensation system uses a trust called the Board Incentive Plan (BIP) Trust, which is based on the Performance Share system and Restricted Stock compensation system in the U.S. When a director's term of office ends, the individual receives an amount of Takeuchi stock and a payment resulting from the conversion of stock to cash that is based on the degree to which a consolidated operating margin was reached and the individual's executive position at Takeuchi.

2) Takeuchi stock in the BIP Trust

Takeuchi stock in the BIP Trust is included in treasury shares, which is part of net assets, at the book value of the stock (excluding associated expenses). On February 29, 2020, treasury shares included 58,940 shares held by the BIP Trust with a book value of 86 million yen, and on February 28, 2021, treasury shares included 58,940 shares held by the BIP Trust with a book value of 86 million yen.

(Impact of COVID-19)

The global spread of COVID-19 is affecting social and economic activities in many countries. Although it is difficult to predict when the effects of COVID-19 will come to an end, the Company has made judgments regarding the impairment of fixed assets and the recoverability of deferred tax assets based on the assumption that the pandemic will be contained by the end of the next consolidated fiscal year and that future demand for construction machinery will not decline due to the economic stagnation caused by COVID-19. Since this assumption is highly uncertain, if the impact of COVID-19 pandemic is prolonged, it may affect the financial position and business performance of Takeuchi Group.

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(Segment information, etc.)

a. Segment information

1. Summary of reportable segments

The reportable segments of the Takeuchi Group are based on the constituent units of the group for which separate financial information is available and the Board of Directors performs periodic examinations for determining the allocation of resources and the evaluating performance.

The manufacture and sale of construction machinery is the primary business of the Takeuchi Group. Takeuchi Mfg. operates in Japan and Takeuchi Mfg. and its subsidiaries operate in other countries. Each subsidiary is managed as an independent unit, conducting business operations based on its own regional comprehensive strategy for the products handled.

Consequently, there are five reportable geographic segments based on manufacturing and sales operations: Japan, United States, United Kingdom, France and China.

2. Method for determining sales, earnings/losses, assets, liabilities and other items for reportable segments

The accounting method for reportable segments is the same as the Basis of Presentation of the Consolidated Financial Statements.

Reportable segments' earnings are operating income and intersegment sales and transfers are based on market prices.

3. Reportable segment sales, earnings/loss, assets, liabilities and other items

Previous fiscal year (March 1, 2019 – February 29, 2020)

| | Reporting segments | | | | | Total | Adjustments (Note 1) | Amount on the consolidated statements of income (Note 2) |
|--|--------------------|--------|--------|--------|-------|---------|-------------------------|--|
| | Japan | USA | UK | France | China | | | |
| Net sales (of which to outside customers) | 45,741 | 53,223 | 10,174 | 6,547 | 226 | 115,913 | - | 115,913 |
| (of which inter- segment /transfer) | 61,625 | - | 27 | 11 | 1,705 | 63,370 | (63,370) | - |
| Total | 107,366 | 53,223 | 10,202 | 6,558 | 1,932 | 179,283 | (63,370) | 115,913 |
| Segment profit | 9,863 | 3,569 | 551 | 326 | 46 | 14,358 | (1,708) | 12,649 |
| Segment assets | 63,590 | 37,410 | 6,132 | 4,726 | 3,186 | 115,046 | (6,064) | 108,982 |
| Others | | | | | | | | |
| Depreciation | 1,128 | 88 | 14 | 18 | 76 | 1,327 | 202 | 1,529 |
| Increase in property, plant and equipment and intangible assets | 1,464 | 509 | 18 | 84 | 852 | 2,929 | 363 | 3,292 |

Notes:

1. The adjustments are as follows.

- (1) The 1,708 million yen negative adjustment for segment income includes a 481 million yen deduction for intersegment transaction eliminations and a 1,227 million yen deduction for corporate expenses that cannot be assigned to specific segments. Corporate expenses are primarily selling, general and administrative expenses that do not belong to specific segments.
- (2) The 6,064 million yen negative adjustment for segment assets includes a 35,703 million yen deduction for intersegment transaction eliminations and a 29,638 million yen for corporate assets that cannot be assigned to specific segments. Corporate assets are primarily unused funds (cash and deposits) at Takeuchi Mfg. and assets associated with administrative departments.
- (3) The depreciation adjustment of 202 million yen is corporate expenses that cannot be assigned to specific segments.

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- (4) The 363 million yen adjustment for increase in property, plant and equipment and intangible assets is corporate assets that cannot be assigned to specific segments.
2. Segment incomes are adjusted for consistency with operating income on the consolidated statement of income.
Current fiscal year (March 1, 2020 – February 28, 2021)

| | Reporting segments | | | | | Total | Adjustments (Note 1) | Amount on the consolidated statements of income (Note 2) |
|--|--------------------|--------|-------|--------|-------|---------|-------------------------|--|
| | Japan | USA | UK | France | China | | | |
| Net sales (of which to outside customers) | 44,529 | 52,252 | 8,507 | 6,914 | 50 | 112,254 | - | 112,254 |
| (of which inter- segment /transfer) | 51,266 | - | 156 | 9 | 1,631 | 53,063 | (53,063) | - |
| Total | 95,796 | 52,252 | 8,663 | 6,924 | 1,681 | 165,318 | (53,063) | 112,254 |
| Segment income | 7,929 | 4,526 | 657 | 440 | (210) | 13,343 | (136) | 13,207 |
| Segment assets | 63,024 | 32,932 | 7,297 | 6,081 | 2,880 | 112,216 | 3,308 | 115,525 |
| Others | | | | | | | | |
| Depreciation | 1,251 | 89 | 12 | 27 | 125 | 1,506 | 170 | 1,676 |
| Increase in property, plant and equipment and intangible assets | 1,113 | 534 | 3 | 89 | 10 | 1,750 | 254 | 2,004 |

Notes:

1. The adjustments are as follows.
 - (1) The 136 million yen negative adjustment for segment income includes a 1,094 million yen deduction for intersegment transaction eliminations and a 1,230 million yen deduction for corporate expenses that cannot be assigned to specific segments. Corporate expenses are primarily selling, general and administrative expenses that do not belong to specific segments.
 - (2) The 3,308 million yen adjustment for segment assets includes a 30,787 million yen deduction for intersegment transaction eliminations and a 34,096 million yen for corporate assets that cannot be assigned to specific segments. Corporate assets are primarily unused funds (cash and deposits) at Takeuchi Mfg. and assets associated with administrative departments.
 - (3) The depreciation adjustment of 170 million yen is corporate expenses that cannot be assigned to specific segments.
 - (4) The 254 million yen adjustment for increase in property, plant and equipment and intangible assets is corporate assets that cannot be assigned to specific segments.
2. Segment incomes are adjusted for consistency with operating income on the consolidated statement of income.

(English translation of the original Japanese document)

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(Per share information)

| | Fiscal year ended February 2020 (Mar. 1, 2019 – Feb. 29, 2020) | Fiscal year ended February 2021 (Mar.1, 2020 – Feb. 28, 2021) |
|---------------------|---|--|
| Net asset per share | 1,754.88 yen | 1,885.41 yen |
| Earnings per share | 190.64 yen | 204.78 yen |

- Notes: 1. Earnings per share (diluted) is not presented since there is no potential stock that has a dilution effect.
2. Stock held by the Board Incentive Plan Trust (54,566 shares in the fiscal year that ended in February 2020 and 58,940 shares in the fiscal year that ended in February 2021) is included in treasury shares, which are deducted from the average number of shares during the period used for calculating earnings per share. Moreover, 58,940 shares in the fiscal year that ended in February 2020 and 58,940 shares in the fiscal year that ended in February 2021 are included in treasury shares, which are deducted from the number of shares outstanding at fiscal year end used for calculating net asset per share.
3. The following basis is used for calculating earnings per share.

| | Fiscal year ended February 2020 (Mar. 1, 2019 – Feb. 29, 2020) | Fiscal year ended February 2021 (Mar.1, 2020 – Feb. 28, 2021) |
|---|---|--|
| Profit attributable to owners of parent (million yen) | 9,091 | 9,765 |
| Amount not attributed to common shareholders (million yen) | - | - |
| Profit attributable to owners of parent applicable to common stock (million yen) | 9,091 | 9,765 |
| Average number of shares during the period (shares) | 47,690,576 | 47,686,197 |

(Subsequent events)

None