

July 8, 2021

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 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 |
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| Phone: | +81-(0)268-81-1200 |
| Date of quarterly securities report (tentative): | July 12, 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 quarter of the fiscal year ending February 2022 (March 1, 2021 – May 31, 2021)

(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 quarter ended May 31, 2021 | 33,332 | 29.5 | 4,202 | 41.2 | 4,321 | 48.4 | 3,155 | 49.8 |
| First quarter ended May 31, 2020 | 25,737 | (12.9) | 2,976 | (23.4) | 2,911 | (22.0) | 2,106 | (21.4) |

(Note) Comprehensive income: 1Q FY Feb. /2022: 5,170 million yen [217.7%], 1Q FY Feb. /2021: 1,627 million yen [(38.5%)]

| | Earnings per share | Earnings per share fully diluted |
|----------------------------------|--------------------|----------------------------------|
| | Yen | Yen |
| First quarter ended May 31, 2021 | 66.16 | - |
| First quarter ended May 31, 2020 | 44.17 | - |

(2) Financial Position (Consolidated)

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of May 31, 2021 | 119,843 | 92,548 | 77.2 |
| As of February 28, 2021 | 115,525 | 89,908 | 77.8 |

(Reference) Shareholders' equity As of May 31, 2021: 92,548 million yen As of February 28, 2021: 89,908 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. 2021 | - | 0.00 | - | 53.00 | 53.00 |
| Fiscal year ending Feb. 2022 | - | - | - | - | - |
| Fiscal year ending Feb. 2022 (estimated) | - | 0.00 | - | 53.00 | 53.00 |

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

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3. Forecast for the fiscal year ending February 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 |

(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) 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, 2021: | 48,999,000 | As of February 28, 2021: | 48,999,000 |
|---------------------|------------|--------------------------|------------|
 - (b) Treasury shares

| | | | |
|---------------------|-----------|--------------------------|-----------|
| As of May 31, 2021: | 1,312,841 | As of February 28, 2021: | 1,312,841 |
|---------------------|-----------|--------------------------|-----------|
 - (c) Average number of shares

| | | | |
|----------------------------|------------|----------------------------|------------|
| Period ended May 31, 2021: | 47,686,159 | Period ended May 31, 2020: | 47,686,202 |
|----------------------------|------------|----------------------------|------------|
- 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 May 31, 2021).

* 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 United States, consumer spending increased significantly on the back of cash benefits provided by the government in response to the COVID-19 pandemic and the progress of vaccinations. In the housing market, despite concerns about shortages of building materials and other factors, housing demand itself remained strong. In terms of capital investment, the easing of regulatory measures and economic stimulus measures boosted it, and the market remained favorable. In Europe, the economy slowed down in early spring due to the recurrence of COVID-19. However, with the progress in vaccination and the slowing pace of growth in the number of infections, there were signs of a recovery in consumer spending and capital investment, which had been delayed. Vaccination, which is considered to be the key to combat COVID-19, has been showing results in normalizing socioeconomic activities, although there are differences in the progress of each country. As a result, the uncertainty that had persisted for a long time has begun to fade, although the unpredictable situation has yet to be overcome.

Despite this situation, public works for urban infrastructure, such as water and gas pipes, were booming in both Europe and the United States. In the United States, in particular, housing-related construction such as new construction, expansion, renovation, and yard maintenance was actively carried out in many areas, and demand for products was strong. In February 2021, we launched the compact excavator TB325R to the market, and aggressively promoted sales activities with a full lineup including existing models. As a result, sales volume of compact excavators, hydraulic excavators, and track loaders during the first quarter of the current fiscal year increased significantly compared to the same period of the previous year, when sales declined due to COVID-19.

As a result, net sales for the first quarter of the current fiscal year under review was 33,332 million yen (up 29.5% year on year). On the profit front, operating profit increased to 4,202 million yen (up 41.2% year on year) and ordinary profit increased to 4,321 million yen (up 48.4% year on year) due to the increase in sales resulting from the increase in the sales volume, despite negative factors such as the increase in transportation costs resulting from the sharp rise in container unit prices, the increase in the number of units shipped, and the increase in the provision for product warranties. After income taxes of 1,166 million yen, profit attributable to owners of parent was 3,155 million yen (up 49.8% year on year).

The geographic segment performance was as follows.

(a) Japan

Shipments to distributors in Europe account for most of the sales in this segment. Compared to the same period of the previous fiscal year, when sales declined due to COVID-19, sales of compact excavators and hydraulic excavators to European distributors increased significantly, mainly due to demand in public works for urban infrastructure etc., and sales in this segment were 13,519 million yen (up 41.0% year on year). Segment profit was 3,897 million yen (up 108.8% year on year) due to the increase in sales and the increase in selling prices to European distributors due to the weak yen, despite the increase in transportation costs and provision for product warranties.

(b) United States

In addition to the recovery in demand for products in public works for urban infrastructure etc., housing-related construction such as new construction, expansion, renovation, and yard maintenance was flourishing throughout the United States. Furthermore, the demand for housing in the suburbs was increasing due to the prolonged COVID-19 pandemic, and strong product sales continued. Compared to the same period of the previous fiscal year, when sales declined due to COVID-19, sales volumes of compact excavators, hydraulic excavators, and track loaders increased significantly, resulting in net sales of 13,932 million yen (up 14.7% year on year). Segment profit was 1,225 million yen (up 18.9% year on year).

(c) United Kingdom

Although there were concerns about logistics disruptions in the United Kingdom due to the end of the transition period of Brexit, there was no significant impact on the Group's sales. Compared to the same period of the previous fiscal year, when sales declined due to COVID-19, sales of compact excavators and hydraulic excavators in the United Kingdom increased significantly, mainly due to demand in public works for urban infrastructure etc. Boosted by the weak yen, net sales were 3,409 million yen (up 34.9% year on year). Segment profit was 300 million yen (up 57.4% year on year).

(d) France

Compared to the same period of the previous fiscal year, when sales declined due to COVID-19, sales of compact excavators and hydraulic excavators in France increased significantly, mainly due to demand in public works for urban infrastructure etc. Boosted by the weak yen, net sales were 2,459 million yen (up 67.9% year on year). Segment profit was 154 million yen (up 110.4% year on year).

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(e) China

Parts sales to the Japan segment increased due to the increased production of construction machinery in the Japan segment. As a result, net sales were 10 million yen (up 79.3% year on year) and the segment profit was 26 million yen (segment loss of 8 million yen in the same period of the previous fiscal year).

(2) Overview of financial condition

(Assets)

Total assets at the end of the first quarter of the current fiscal year increased by 4,317 million yen compared to the end of the previous fiscal year to 119,843 million yen. This was mainly due to increases in notes and accounts receivable-trade of 3,040 million yen due to increased sales, inventories of 1,384 million yen due to increase in production volume, and other current assets of 640 million yen, despite a decrease in cash and deposits of 1,338 million yen.

(Liabilities)

Liabilities at the end of the first quarter of the current fiscal year increased by 1,677 million yen compared to the end of the previous fiscal year to 27,295 million yen. This was mainly due to increases in accounts payable - trade of 591 million yen due to an increase in production volume, and income taxes payable of 562 million yen.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year increased by 2,640 million yen compared to the end of the previous fiscal year to 92,548 million yen. This was mainly due to an increase of 3,155 million yen in retained earnings from profit attributable to owners of parent and an increase of 2,015 million yen in foreign currency translation adjustments, despite a decrease of 2,530 million yen in retained earnings from dividend payments.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on April 9, 2021 for consolidated results of operations for the first half and full year of the fiscal year ending in February 2022.

This forecast for the current fiscal year is based on assumed exchange rates of 107 yen to the US dollar, 148 yen to the British pound, 127 yen to the euro, and 16.40 yen to the yuan.

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2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

| | As of February 28, 2021 | As of May 31, 2021 |
|--|-------------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 40,227 | 38,889 |
| Notes and accounts receivable - trade | 27,172 | 30,213 |
| Merchandise and finished goods | 23,061 | 23,560 |
| Work in process | 1,238 | 1,208 |
| Raw materials and supplies | 5,026 | 5,941 |
| Other | 3,536 | 4,176 |
| Allowance for doubtful accounts | (1,078) | (1,143) |
| Total current assets | 99,184 | 102,846 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 7,074 | 7,685 |
| Machinery, equipment and vehicles, net | 1,836 | 1,771 |
| Land | 2,063 | 2,112 |
| Other, net | 843 | 561 |
| Total property, plant and equipment | 11,818 | 12,131 |
| Intangible assets | 732 | 733 |
| Investments and other assets | | |
| Deferred tax assets | 1,717 | 2,070 |
| Other | 2,094 | 2,082 |
| Allowance for doubtful accounts | (21) | (21) |
| Total investments and other assets | 3,790 | 4,131 |
| Total non-current assets | 16,340 | 16,996 |
| Total assets | 115,525 | 119,843 |

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(Millions of yen)

| | As of February 28, 2021 | As of May 31, 2021 |
|---|-------------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 19,471 | 20,063 |
| Income taxes payable | 987 | 1,550 |
| Provision for bonuses | 375 | 614 |
| Provision for product warranties | 1,614 | 1,771 |
| Other | 2,692 | 2,815 |
| Total current liabilities | 25,142 | 26,815 |
| Non-current liabilities | | |
| Provision for share-based remuneration for directors (and other officers) | 55 | 58 |
| Retirement benefit liability | 62 | 64 |
| Other | 356 | 357 |
| Total non-current liabilities | 474 | 479 |
| Total liabilities | 25,617 | 27,295 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,632 | 3,632 |
| Capital surplus | 3,631 | 3,631 |
| Retained earnings | 85,626 | 86,251 |
| Treasury shares | (1,985) | (1,985) |
| Total shareholders' equity | 90,906 | 91,530 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (10) | (6) |
| Foreign currency translation adjustment | (994) | 1,020 |
| Remeasurements of defined benefit plans | 6 | 3 |
| Total accumulated other comprehensive income | (997) | 1,017 |
| Total net assets | 89,908 | 92,548 |
| Total liabilities and net assets | 115,525 | 119,843 |

(English translation of the original Japanese document)

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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)

(Millions of yen)

| | First quarter ended May 31, 2020 | First quarter ended May 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 25,737 | 33,332 |
| Cost of sales | 20,405 | 26,202 |
| Gross profit | 5,332 | 7,129 |
| Selling, general and administrative expenses | | |
| Transportation costs | 835 | 1,331 |
| Provision for product warranties | 192 | 337 |
| Provision of allowance for doubtful accounts | (3) | 0 |
| Remuneration for directors (and other officers) | 59 | 72 |
| Salaries and allowances | 423 | 451 |
| Provision for bonuses | 51 | 62 |
| Retirement benefit expenses | 11 | 12 |
| Provision for share-based remuneration for directors (and other officers) | 2 | 2 |
| Other | 783 | 656 |
| Total selling, general and administrative expenses | 2,355 | 2,926 |
| Operating profit | 2,976 | 4,202 |
| Non-operating income | | |
| Interest income | 33 | 11 |
| Foreign exchange gains | - | 79 |
| Other | 114 | 33 |
| Total non-operating income | 147 | 124 |
| Non-operating expenses | | |
| Loss on retirement of non-current assets | 6 | 5 |
| Foreign exchange losses | 205 | - |
| Other | 0 | 0 |
| Total non-operating expenses | 212 | 5 |
| Ordinary profit | 2,911 | 4,321 |
| Profit before income taxes | 2,911 | 4,321 |
| Income taxes - current | 745 | 1,473 |
| Income taxes - deferred | 60 | (307) |
| Total income taxes | 805 | 1,166 |
| Profit | 2,106 | 3,155 |
| Profit attributable to owners of parent | 2,106 | 3,155 |

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(Quarterly consolidated statement of comprehensive income)

(For the first quarter)

(Millions of yen)

| | First quarter ended May 31, 2020 | First quarter ended May 31, 2021 |
|--|-------------------------------------|-------------------------------------|
| Profit | 2,106 | 3,155 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (8) | 3 |
| Foreign currency translation adjustment | (469) | 2,015 |
| Remeasurements of defined benefit plans, net of tax | (0) | (3) |
| Total other comprehensive income | (478) | 2,015 |
| Comprehensive income | 1,627 | 5,170 |
| Comprehensive income attributable to owners of parent | 1,627 | 5,170 |
| 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 2020 (March 1, 2020 – May 31, 2020)

Information about sales and profit (loss) by reporting segments

(Millions of 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) | 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 profit/loss | 1,866 | 1,030 | 191 | 73 | (8) | 3,152 | (176) | 2,976 |

Notes:

1. Adjustment in segment profit 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 profit/losses are adjusted for operating profit on the quarterly consolidated statements of income.

II. For the first quarter ended May 2021 (March 1, 2021 – May 31, 2021)

Information about sales and profit (loss) by reporting segments

(Millions of 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) | 13,519 | 13,932 | 3,409 | 2,459 | 10 | 33,332 | - | 33,332 |
| (of which inter- segment /transfer) | 19,603 | - | 2 | 1 | 726 | 20,334 | (20,334) | - |
| Total | 33,123 | 13,932 | 3,412 | 2,461 | 736 | 53,667 | (20,334) | 33,332 |
| Segment profit | 3,897 | 1,225 | 300 | 154 | 26 | 5,604 | (1,401) | 4,202 |

Notes:

1. Adjustment in segment profit of -1,401 million yen includes -1,049 million yen for elimination of inter-segment trade and -351 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.

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(Subsequent events)

None