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January 13, 2022

Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 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 quarterly securities report (tentative): January 14, 2022
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 2022 (March 1, 2021 – November 30, 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 three quarters ended November 2021	106,902	30.2	14,160	41.0	14,398	43.3	10,618	45.3
First three quarters ended November 2020	82,087	(10.3)	10,039	(6.1)	10,044	(3.8)	7,308	(3.4)

(Note) Comprehensive income: First three quarters of FY Feb. /2022: 12,918 million yen [101.3 %],
First three quarters of FY Feb. /2021: 6,416 million yen [(2.4%)]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First three quarters ended November 2021	222.67	-
First three quarters ended November 2020	153.27	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2021	133,857	100,296	74.9
As of February 28, 2021	115,525	89,908	77.8

(Reference) Shareholders' equity

As of November 30, 2021: 100,296 million yen As of February 28, 2021 89,908 million yen

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	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	-	0.00	-		
Fiscal year ending Feb. 2022 (est.)				68.00	68.00

(Note) Change in the estimation of dividend from the latest announcement: Yes

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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
Full year	140,000	24.7	16,700	26.4	17,000	27.8	12,500	28.0	262.13

(Note) Change in the forecast from the latest announcement: Yes

* 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

As of November 30, 2021: 48,999,000 As of February 28, 2021: 48,999,000

(b) Treasury shares

As of November 30, 2021: 1,312,862 As of February 28, 2021: 1,312,841

(c) Average number of shares (quarterly consolidated cumulative

Period ended November 30, 2021: 47,686,148 Period ended November 30, 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 November 30, 2021).

* 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. Qualitative Information on Quarterly Financial Results

(1) Explanation on Operating Results

During the first three quarters of the current consolidated fiscal year (March 1, 2021 to November 30, 2021), the economies of the United States and Europe which are the major markets for the Takeuchi Group were generally as follows. In the United States, consumer spending continued to increase 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, although the lumber shortage and labor shortage affected housing construction, 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, there are differences between countries in the control of the spread of COVID-19, and in countries where restrictions on activity have been lifted, consumer spending has recovered significantly. Capital investment showed an upward trend due to strong corporate earnings. In late November, the emergence of the Omicron variant of COVID-19 has raised concerns about the spread of the virus again. The situation keeps getting better and then worse again while considering both the prevention of the spread of the disease and economic activities.

Despite this situation, public works for urban infrastructure, such as water and gas piping, continued apace in both Europe and the United States. In the United States, in particular, housing-related construction such as new construction, extension, renovation, and yard maintenance was actively carried out in many areas, and demand for products was strong. In addition, we launched the compact excavator TB325R in February 2021, and the lithium-ion battery-powered compact excavator TB20e in July 2021, as part of our aggressive sales activities with an extensive lineup that includes more environmentally friendly products. As a result, sales volume of compact excavators, hydraulic excavators, and track loaders during the first three quarters of the current fiscal year increased significantly compared to the same period of the previous year, when sales were set back due to COVID-19.

Due to the above, net sales for the first three quarters of the current fiscal year was 106,902 million yen (up 30.2% year on year). On the profit front, operating profit increased to 14,160 million yen (up 41.0% year on year) and ordinary profit increased to 14,398 million yen (up 43.3% year on year) due to the increase in sales and product selling prices, despite factors such as the increase in production costs, transportation costs, and provision for product warranties, etc. After income taxes of 3,780 million yen, profit attributable to owners of parent was 10,618 million yen (up 45.3% 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 37,121 million yen (up 18.1% year on year). Segment profit was 9,371 million yen (up 69.0% year on year) due to the increase in sales and product selling prices, despite factors such as the increase in production costs, transportation costs, and provision for product warranties, etc.

(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, extension, renovation, and yard maintenance is flourishing throughout the United States. Furthermore, the demand for housing in the suburbs is 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, although our sales continued to be affected by logistics congestion at ports and truck shortages in the third quarter of the current fiscal year. As a result, net sales were 50,878 million yen (up 30.6% year on year). Segment profit was 4,777 million yen (up 40.3% year on year) due to the increase in net sales and product selling prices, etc.

(c) United Kingdom

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 weaker yen, net sales were 11,488 million yen (up 72.4% year on year). Segment profit was 1,076 million yen (up 99.3% year on year) due to the increase in net sales and product selling prices, etc.

(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 weaker yen, net sales were 7,359 million yen (up 47.1% year on year). Segment profit was 501 million yen (up 51.5% year on year) due to the increase in net sales and product selling prices, etc.

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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 54 million yen (up 82.5% year on year) and the segment profit was 95 million yen (segment loss of 185 million yen in the same period of the previous fiscal year).

(2) Explanation on Financial Position

(Assets)

Total assets at the end of the third quarter of the current consolidated fiscal year increased by 18,332 million yen compared to the end of the previous fiscal year to 133,857 million yen. This was mainly due to increases in inventory of 11,305 million yen, cash and deposits of 5,351 million yen, and notes and accounts receivable - trade of 1,672 million yen because of the net sales increase. Of the increase in inventory, work in process increased by 6,062 million yen. This is mainly due to the shortage of electronic components. Most of the work in process is the local inventory stored in Europe and the United States, and it will be sold as finished products promptly in line with resumed procurement of the electronic components.

(Liabilities)

Total liabilities at the end of the third quarter of the current consolidated fiscal year increased by 7,944 million yen compared to the end of the previous fiscal year to 33,561 million yen. This was mainly due to increases in accounts payable - trade of 6,423 million yen due to the production volume increase, and income taxes payable of 721 million yen.

(Net assets)

Total net assets at the end of the third quarter of the current consolidated fiscal year increased by 10,388 million yen compared to the end of the previous fiscal year to 100,296 million yen. This was mainly due to the increase in retained earnings because of increases in profit attributable to owners of parent of 10,618 million yen despite a decrease of 2,530 million yen for dividend payments, and the increase in foreign currency translation adjustments of 2,307 million yen,

(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc.

The full-year consolidated earnings forecast for the fiscal year ending February 2022 has been revised from the forecast announced on September 30, 2021. For details, please refer to "Notice Regarding Revision of Earnings Forecast and Revision of Dividend Forecast" announced today (January 13, 2022).

This forecast is based on assumed exchange rates for the fourth quarter onward of 114 yen to the US dollar, 154.50 yen to the British pound, 130 yen to the euro and 17.90 yen to the yuan.

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2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	As of February 28, 2021	As of November 30, 2021
Assets		
Current assets		
Cash and deposits	40,227	45,578
Notes and accounts receivable - trade	27,172	28,844
Merchandise and finished goods	23,061	26,059
Work in process	1,238	7,301
Raw materials and supplies	5,026	7,270
Other	3,536	3,698
Allowance for doubtful accounts	(1,078)	(1,173)
Total current assets	99,184	117,581
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,074	7,646
Machinery, equipment and vehicles, net	1,836	1,599
Land	2,063	2,111
Other, net	843	500
Total property, plant and equipment	11,818	11,857
Intangible assets	732	683
Investments and other assets		
Deferred tax assets	1,717	1,682
Other	2,094	2,074
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	3,790	3,735
Total non-current assets	16,340	16,276
Total assets	115,525	133,857

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(Million yen)

	As of February 28, 2021	As of November 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	19,471	25,895
Income taxes payable	987	1,709
Provision for bonuses	375	277
Provision for product warranties	1,614	1,921
Other	2,692	3,269
Total current liabilities	25,142	33,073
Non-current liabilities		
Provision for share-based remuneration for directors (and other officers)	55	65
Retirement benefit liability	62	64
Other	356	357
Total non-current liabilities	474	487
Total liabilities	25,617	33,561
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	85,626	93,714
Treasury shares	(1,985)	(1,985)
Total shareholders' equity	90,906	98,993
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(10)	(7)
Foreign currency translation adjustment	(994)	1,313
Remeasurements of defined benefit plans	6	(2)
Total accumulated other comprehensive income	(997)	1,302
Total net assets	89,908	100,296
Total liabilities and net assets	115,525	133,857

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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 2020 (March 1, 2020 – November 30, 2020)	First three quarters ended November 2021 (March 1, 2021 – November 30, 2021)
Net sales	82,087	106,902
Cost of sales	65,525	83,489
Gross profit	16,562	23,412
Selling, general and administrative expenses		
Transportation costs	2,189	4,421
Provision for product warranties	614	874
Provision of allowance for doubtful accounts	(3)	(0)
Remuneration for directors (and other officers)	204	222
Salaries and allowances	1,327	1,527
Provision for bonuses	87	102
Retirement benefit expenses	34	36
Provision for share-based remuneration for directors (and other officers)	9	10
Other	2,058	2,057
Total selling, general and administrative expenses	6,522	9,252
Operating profit	10,039	14,160
Non-operating income		
Interest income	52	30
Foreign exchange gains	—	78
Subsidy income	—	77
Other	189	67
Total non-operating income	242	253
Non-operating expenses		
Loss on retirement of non-current assets	26	15
Foreign exchange losses	190	—
Other	20	0
Total non-operating expenses	237	15
Ordinary profit	10,044	14,398
Profit before income taxes	10,044	14,398
Income taxes - current	2,390	3,691
Income taxes - deferred	345	89
Total income taxes	2,736	3,780
Profit	7,308	10,618
Profit attributable to owners of parent	7,308	10,618

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(Quarterly consolidated statements of comprehensive income)

(For the first three quarters)

(Million yen)

	First three quarters ended November 2020 (March 1, 2020 – November 30, 2020)	First three quarters ended November 2021 (March 1, 2021 – November 30, 2021)
Profit	7,308	10,618
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	2
Foreign currency translation adjustment	(888)	2,307
Remeasurements of defined benefit plans, net of tax	(1)	(9)
Total other comprehensive income	(891)	2,300
Comprehensive income	6,416	12,918
Comprehensive income attributable to owners of parent	6,416	12,918
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 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/transfer)	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/loss	5,545	3,405	539	331	(185)	9,636	403	10,039

(Notes) 1. Adjustment in segment profit and loss 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 and loss are adjusted for operating profit on the quarterly consolidated statements of income.

II. For the first three quarters ended November 2021 (March 1, 2021 – November 30, 2021)

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)	37,121	50,878	11,488	7,359	54	106,902	—	106,902
(of which inter- segment/transfer)	53,806	0	11	4	2,220	56,044	(56,044)	—
Total	90,928	50,878	11,499	7,364	2,274	162,946	(56,044)	106,902
Segment profit	9,371	4,777	1,076	501	95	15,822	(1,662)	14,160

(Notes) 1. Adjustment in segment profit of -1,662 million yen includes -624 million yen for elimination of inter-segment trade and -1,038 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