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April 12, 2022

Summary of Consolidated Financial Results For the Fiscal Year Ended February 28, 2022 [Japan GAAP]

Name of Company: TAKEUCHI MFG. CO., LTD.
Stock Code: 6432
Stock Exchange Listing: Tokyo Stock Exchange
URL: <https://www.takeuchi-mfg.co.jp/>
Representative Title: President & Representative Director
Name: Toshiya Takeuchi
Contact Person Title: Director, Manager of Business Management Department
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Date of regular general meeting of shareholders (tentative): May 25, 2022
Date of commencement of dividend payment (tentative): May 26, 2022
Date of securities report (tentative): May 25, 2022
Supplementary explanatory documents: Yes
Financial results briefing: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Consolidated financial results for the fiscal year ended February 2022 (March 1, 2021 – February 28, 2022)

(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. 2022	140,892	25.5	17,764	34.5	18,080	36.0	13,348	36.7
Fiscal year ended Feb. 2021	112,254	(3.2)	13,207	4.4	13,298	7.2	9,765	7.4

(Note) Comprehensive income: FY Feb./2022: 16,706 million yen [94.0%], FY Feb./2021: 8,611 million yen [-0.7 %]

	Earnings per share	Earnings per share fully diluted	Return on equity	Ratio of ordinary profit to assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 2022	279.91	-	13.8	14.3	12.6
Fiscal year ended Feb. 2021	204.78	-	11.3	11.8	11.8

(Reference) Equity in earnings/losses of affiliates: FY Feb./2022 - million yen FY Feb./2021 - 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, 2022	137,201	104,083	75.9	2,182.68
As of February 28, 2021	115,525	89,908	77.8	1,885.41

(Reference) Shareholders' equity As of February 28, 2022: 104,083 million yen As of February 28, 2021: 89,908 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. 2022	13,780	(4,303)	(2,532)	46,648
Fiscal year ended Feb. 2021	10,378	(1,967)	(2,389)	39,619

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2. Dividends

	Dividend per share					Annual total amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 2021	-	0.00	-	53.00	53.00	2,530	25.9	2.9
Fiscal year ended Feb. 2022	-	0.00	-	68.00	68.00	3,246	24.3	3.3
Fiscal year ending Feb. 2023 (estimated)	-	0.00	-	68.00	68.00		34.1	

3. Forecast for the fiscal year ending February 2023 (Consolidated, March 1, 2022 to February 28, 2023)

(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	73,100	(1.5)	6,200	(37.7)	6,300	(38.0)	4,650	(37.8)	97.51
Full year	155,300	10.2	12,700	(28.5)	12,800	(29.2)	9,500	(28.8)	199.22

* 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, 2022: 48,999,000 As of February 28, 2021: 48,999,000

(b) Treasury shares

As of February 28, 2022: 1,312,862 As of February 28, 2021: 1,312,841

(c) Average number of shares

Period ended February 28, 2022: 47,686,146 Period ended February 28, 2021: 47,686,197

(Note) Treasury shares include shares held by the Board Incentive Plan Trust (58,940 shares as of February 28, 2022 and 58,940 shares as of February 28, 2021).

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended February 2022 (March 1, 2021 – February 28, 2022)

(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. 2022	122,753	28.1	11,019	63.2	11,105	63.9	7,864	60.4
Fiscal year ended Feb. 2021	95,796	(10.8)	6,751	(21.4)	6,777	(17.9)	4,904	(17.0)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
Fiscal year ended Feb. 2022	164.92	-
Fiscal year ended Feb. 2021	102.84	-

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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, 2022	104,590	75,930	72.6	1,592.30
As of February 28, 2021	95,940	70,587	73.6	1,480.26

(Reference) Shareholders' equity As of Feb. 28, 2022: 75,930 million yen As of Feb. 28, 2021: 70,587 million yen

* This report is exempt from the requirement of review by a certified public accountant or audit firm.

* Cautionary statement regarding forecasts of operating results and special notes

(1) Financial Outlook

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) Future Outlook" on page 4 of the Supplementary Information

(2) Access to supplementary explanatory materials for financial results and contents of financial results briefing
We plan to hold a financial results briefing for institutional investors and securities analysts (live video streaming) on April 26, 2022. The financial results briefing materials will be posted on our website immediately after the meeting

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1. Results of Operations

(1) Overview of consolidated business performance

During the current consolidated fiscal year (March 1, 2021 to February 28, 2022), 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 are affecting 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, both consumer spending and capital investment were beginning to normalize on the back of vaccination progress and strong corporate performance, but in countries where economic activity was restricted due to the Omicron variant, consumer spending and other factors were affected. Many major countries around the world began to move toward coexistence with COVID-19, such as by easing restrictions due to passing the peak of cases and the low severity of the Omicron variant, but the global situation took a turn for the worse when Russia invaded Ukraine, and the outlook once again became uncertain.

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

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excavators, hydraulic excavators, and track loaders during the current consolidated 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 current fiscal year reached a record high of 140,892 million yen (up 25.5% year on year), while profits at each stage were also at record highs. Operating profit increased to 17,764 million yen (up 34.5% year on year) and ordinary profit increased to 18,080 million yen (up 36.0% year on year) due to the increase in sales and product prices, despite negative factors such as the increase in production costs, transportation costs, and provision for product warranties, etc. After income taxes of 4,732 million yen, profit attributable to owners of parent was 13,348 million yen (up 36.7% 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 consolidated 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 48,981 million yen (up 10.0% year on year). Segment profit was 12,449 million yen (up 57.0% 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 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. As a result, net sales were 68,712 million yen (up 31.5% year on year). Segment profit was 6,345 million yen (up 40.2% year on year) due to the increase in net sales and product selling prices, etc.

(c) United Kingdom

Compared to the previous consolidated 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 13,923 million yen (up 63.7% year on year). Segment profit was 1,256 million yen (up 91.3% year on year) due to the increase in net sales and product selling prices, etc.

(d) France

Compared to the previous consolidated 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 9,207 million yen (up 33.2% year on year). Segment profit was 623 million yen (up 41.3% year on year) due to the increase in net sales and product selling prices, etc.

(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 66 million yen (up 31.2% year on year) and the segment profit was 85 million yen (segment loss of 210 million yen in the previous consolidated fiscal year).

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(2) Overview of financial condition

(Assets)

Assets were 137,201 million yen at the end of the current consolidated fiscal year, 21,676 million yen more than at the end of the previous consolidated fiscal year. This was mainly due to increases in inventory by 12,026 million yen, cash and deposits by 7,031 million yen, and construction in progress by 2,701 million yen due to the construction of the Aoki factory, etc. despite a 1,435 million yen decrease in notes and accounts receivable-trade due to collection of trade receivables. Of the increase in inventory, work in process increased by 4,870 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 current consolidated fiscal year increased by 7,500 million yen compared to the end of the previous consolidated fiscal year to 33,117 million yen. This was mainly due to increases in accounts payable - trade of 5,020 million yen due to the production volume increase, and income taxes payable of 1,875 million yen.

(Net assets)

Net assets at the end of the current consolidated fiscal year increased by 14,175 million yen compared to the end of the previous consolidated fiscal year to 104,083 million yen. This was mainly due to an increase of 13,348 million yen in retained earnings due to profit attributable to owners of parent and an increase of 3,321 million yen in foreign currency translation adjustments, despite a decrease of 2,530 million yen in retained earnings due to dividend payments.

(3) Overview of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current consolidated fiscal year increased by 7,029 million yen compared to the end of the previous consolidated fiscal year to 46,648 million yen. The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

(Operating activities)

Net cash provided by operating activities increased by 3,402 million yen compared to the previous consolidated fiscal year to 13,780 million yen. This was mainly due to inflows from profit before income taxes of 18,080 million yen, an increase in trade payables of 3,567 million yen, and a decrease in trade receivables of 2,891 million yen, despite an outflow from an increase in inventory of 10,000 million yen.

(Investing activities)

Net cash used in investing activities increased by 2,335 million yen compared to the previous consolidated fiscal year to 4,303 million yen. This was mainly due to payments for purchase of property, plant and equipment of 4,454 million yen, and for purchase of intangible fixed assets of 148 million yen, despite proceeds from redemption of marketable securities of 300 million yen.

(Financing activities)

Net cash used in financing activities increased by 143 million yen compared to the previous consolidated fiscal year to 2,532 million yen. This was mainly due to a dividend payment of 2,530 million yen.

(Reference) Cash flow indices

	FY Feb./2018	FY Feb./2019	FY Feb./2020	FY Feb./2021	FY Feb./2022
Equity ratio (%)	74.5	74.5	76.8	77.8	75.9
Market capitalization equity ratio (%)	134.9	89.8	72.4	111.2	89.1
Cash flow to debt ratio (years)	-	-	-	-	-
Interest coverage ratio (times)	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, FY Feb./2021, and FY Feb./2022 is shown because there were no interest expenses paid.

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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./2018 and FY Feb./2019.

(4) Future outlook

Consolidated Earnings Forecast

	FY Feb./2022	Forecast for FY Feb./2023	Change
	Million yen	Million yen	%
Net sales	140,892	155,300	10.2
Operating profit	17,764	12,700	(28.5)
Ordinary profit	18,080	12,800	(29.2)
Profit attributable to owners of parent	13,348	9,500	(28.8)

Exchange rates

	Average in FY Feb./2022	Assumption for FY Feb./2023
	Yen	Yen
US dollar	111.72	117.00
British pound	153.06	155.00
Euro	130.57	129.00
Yuan	17.12	18.30

Takeuchi Group has formulated its third medium-term business plan (for the period from fiscal year ending February 2023 to fiscal year ending February 2025), which period started from March of this year. (Note) Consolidated results for the fiscal year ending February 28, 2023, the first year of the plan, are expected to be as shown in the table above.

While the exit strategy for COVID-19 and Russia's invasion of Ukraine have increased uncertainty about the global economy, the market for compact construction equipment, our group's market, is booming and will continue to expand. The Group's main markets are the United States and Europe, where our products are used in housing-related construction projects, living infrastructure development projects, and public and private-sector construction investment in European countries and the United States. Orders received during the current consolidated fiscal year totaled 229,800 million yen. The reasons for this are as follows: In common with both Europe and the United States, the effectiveness of remote work has been recognized as a result of the spread of COVID-19, and demand for housing is increasing not only in urban areas but also in suburban areas. Maintenance work is essential due to the aging of water, sewage, gas pipes, roads, and other living infrastructure. In addition, corporate earnings, which had been sluggish due to the COVID-19 pandemic, have turned around, and construction investment is on an upward trend.

This strong product demand was expected to continue in both Europe and the United States. However, considering the Group's production capacity, including the US factory that is scheduled to start operation by the end of 2022, and the procurement status of purchased parts, we forecast that sales volume in the next consolidated fiscal year will increase only 3.6% over the current consolidated fiscal year, and consolidated net sales will increase 10.2% to 155,300 million yen.

Earnings forecasts are: operating profit of 12,700 million yen (down 28.5% year on year), ordinary profit of 12,800 million yen (down 29.2% year on year), and profit attributable to owners of parent of 9,500 million yen (down 28.8% year on year) This is due to the increase in raw material costs, mainly steel materials, of approximately 5,600 million yen, an increase in transportation costs of approximately 6,000 million yen due to a sharp rise in ocean freight costs to Europe and the United States, and additional estimates of depreciation and labor costs for the US factory despite the expected increase in profit from higher selling prices, higher sales volume, and an assumed weaker yen exchange rate.

This forecast is based on information that was available when this document 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.

(Note) For an overview of the Third Medium-term Business Plan, please refer to the "Announcement of the Third Medium-term Business Plan (FY2022-FY2024)" released today, April 12, 2022.

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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

(Million yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	40,227	47,258
Notes and accounts receivable - trade	27,172	25,737
Merchandise and finished goods	23,061	27,569
Work in process	1,238	6,108
Raw materials and supplies	5,026	7,674
Other	3,536	3,435
Allowance for doubtful accounts	(1,078)	(1,079)
Total current assets	99,184	116,705
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,074	7,648
Machinery, equipment and vehicles, net	1,836	1,546
Tools, furniture and fixtures, net	465	480
Land	2,063	2,627
Construction in progress	377	3,078
Total property, plant and equipment	11,818	15,382
Intangible assets	732	682
Investments and other assets		
Investment securities	1,361	1,385
Deferred tax assets	1,717	2,323
Retirement benefit asset	259	289
Other	473	454
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	3,790	4,430
Total non-current assets	16,340	20,496
Total assets	115,525	137,201

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	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	19,471	24,491
Income taxes payable	987	2,862
Provision for bonuses	375	426
Provision for product warranties	1,614	1,701
Other	2,692	3,055
Total current liabilities	25,142	32,537
Non-current liabilities		
Provision for share awards for directors (and other officers)	55	69
Retirement benefit liability	62	80
Other	356	430
Total non-current liabilities	474	580
Total liabilities	25,617	33,117
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	85,626	96,444
Treasury shares	(1,985)	(1,985)
Total shareholders' equity	90,906	101,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(10)	(1)
Foreign currency translation adjustment	(994)	2,326
Remeasurements of defined benefit plans	6	34
Total accumulated other comprehensive income	(997)	2,360
Total net assets	89,908	104,083
Total liabilities and net assets	115,525	137,201

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

(Million yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net sales	112,254	140,892
Cost of sales	90,146	110,563
Gross profit	22,108	30,328
Selling, general and administrative expenses		
Transportation costs	3,097	6,213
Provision for product warranties	1,086	886
Provision of allowance for doubtful accounts	(4)	8
Remuneration for directors (and other officers)	277	302
Salaries and allowances	1,870	2,181
Provision for bonuses	72	77
Retirement benefit expenses	62	51
Provision for share awards for directors (and other officers)	14	14
Other	2,423	2,828
Total selling, general and administrative expenses	8,900	12,564
Operating profit	13,207	17,764
Non-operating income		
Interest income	61	38
Dividend income	2	2
Foreign exchange gains	—	178
Other	220	113
Total non-operating income	284	332
Non-operating expenses		
Loss on retirement of non-current assets	24	15
Foreign exchange losses	145	—
Other	24	0
Total non-operating expenses	194	16
Ordinary profit	13,298	18,080
Profit before income taxes	13,298	18,080
Income taxes - current	3,434	5,288
Income taxes - deferred	98	(556)
Total income taxes	3,532	4,732
Profit	9,765	13,348
Profit attributable to owners of parent	9,765	13,348

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(Consolidated statement of comprehensive income)

(Million yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit	9,765	13,348
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	8
Foreign currency translation adjustment	(1,199)	3,321
Remeasurements of defined benefit plans, net of tax	48	27
Total other comprehensive income	(1,153)	3,358
Comprehensive income	8,611	16,706
Comprehensive income attributable to owners of parent	8,611	16,706
Comprehensive income attributable to non-controlling interests	—	—

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(3) Consolidated statement of changes in equity

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

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,632	3,631	78,248	(1,985)	83,528
Changes 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 in items other than shareholders' equity					
Total changes during period	—	—	7,378	(0)	7,377
Balance at end of 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 period	(7)	204	(41)	155	83,683
Changes during period					
Dividends of surplus					(2,387)
Profit attributable to owners of parent					9,765
Purchase of treasury shares					(0)
Net changes in items other than shareholders' equity	(2)	(1,199)	48	(1,153)	(1,153)
Total changes during period	(2)	(1,199)	48	(1,153)	6,224
Balance at end of period	(10)	(994)	6	(997)	89,908

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Current fiscal year (March 1, 2021 – February 28, 2022)

(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	85,626	(1,985)	90,906
Changes of items during period					
Dividends of surplus			(2,530)		(2,530)
Profit attributable to owners of parent			13,348		13,348
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	10,817	(0)	10,817
Balance at end of current period	3,632	3,631	96,444	(1,985)	101,723

	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	(10)	(994)	6	(997)	89,908
Changes of items during period					
Dividends of surplus					(2,530)
Profit attributable to owners of parent					13,348
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	8	3,321	27	3,358	3,358
Total changes of items during period	8	3,321	27	3,358	14,175
Balance at end of current period	(1)	2,326	34	2,360	104,083

(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.

(4) Consolidated statement of cash flows

(Million yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from operating activities		
Profit before income taxes	13,298	18,080
Depreciation	1,676	1,586
Increase (decrease) in allowance for doubtful accounts	(34)	(145)
Increase (decrease) in provision for bonuses	42	47
Increase (decrease) in provision for product warranties	(74)	(3)
Decrease (increase) in retirement benefit asset	24	10
Increase (decrease) in provision for share awards for directors (and other officers)	14	14
Interest and dividend income	(64)	(40)
Foreign exchange losses (gains)	(334)	872
Loss (gain) on sale of non-current assets	0	8
Loss on retirement of non-current assets	24	6
Decrease (increase) in trade receivables	(2,396)	2,891
Decrease (increase) in inventories	221	(10,000)
Increase (decrease) in trade payables	425	3,567
Decrease (increase) in other assets	(1)	(72)
Increase (decrease) in other liabilities	854	516
Other, net	(14)	(5)
Subtotal	13,662	17,332
Interest and dividends received	63	40
Income taxes paid	(3,348)	(3,591)
Net cash provided by (used in) operating activities	10,378	13,780
Cash flows from investing activities		
Decrease (increase) in time deposits	(0)	(2)
Proceeds from redemption of securities	—	300
Purchase of property, plant and equipment	(1,800)	(4,454)
Proceeds from sale of property, plant and equipment	14	3
Purchase of intangible assets	(245)	(148)
Purchase of investment securities	—	(10)
Proceeds from sale of investment securities	10	—
Other, net	53	8
Net cash provided by (used in) investing activities	(1,967)	(4,303)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,387)	(2,530)
Repayments of lease obligations	(2)	(2)
Net cash provided by (used in) financing activities	(2,389)	(2,532)
Effect of exchange rate change on cash and cash equivalents	(14)	85
Net increase (decrease) in cash and cash equivalents	6,006	7,029
Cash and cash equivalents at beginning of period	33,612	39,619
Cash and cash equivalents at end of period	39,619	46,648

(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 (9 million yen in the current consolidated fiscal year), which had been separately shown until the previous consolidated fiscal year, is included in "Other" under non-operating income from the current consolidated fiscal year because it has become insignificant in terms of amount.

(Supplementary information)

(Compensation linked to results of operations)

We have 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 28, 2021, treasury shares included 58,940 shares held by the BIP Trust with a book value of 86 million yen, and on February 28, 2022, treasury shares included 58,940 shares held by the BIP Trust with a book value of 86 million yen.

(Impact of COVID-19)

Since there was no material impact from COVID-19 in the current fiscal year, we made decisions on impairment of non-current assets and recoverability of deferred tax assets based on the assumption that there would be no material impact from COVID-19 in the following fiscal year and thereafter.

Since this assumption is highly uncertain, the prolonged impact of COVID-19 may affect our financial position and operating results.

(English translation of the original Japanese document)

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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 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, profits/losses, assets, liabilities and other items for reportable segments

The accounting methods used for the reported segments are the same as those used in the preparation of the consolidated financial statements.

Reportable segments' profits are operating profit. Inter-segment sales and transfers are based on market prices.

3. Reportable segment sales, profits/losses, assets, liabilities and other items

Previous 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 profit	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

(Million yen)

Notes:

1. The adjustments are as follows.

- (1) Adjustment in segment profit or loss of -136 million yen includes 1,094 million yen for elimination of inter-segment trade and -1,230 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) Adjustment in segment assets of 3,308 million yen includes -30,787 million yen for elimination of inter-segment trade and 34,096 million yen for corporate assets which has not been distributed in the 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 which has not been distributed in the segments.
- (4) The 254 million yen adjustment for increase in property, plant and equipment and intangible assets is corporate assets which has not been distributed in the segments.

2. Segment profit or loss are adjusted for operating profit on the consolidated statements of income.

(English translation of the original Japanese document)

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Current fiscal year (March 1, 2021 – February 28, 2022)

	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)	48,981	68,712	13,923	9,207	66	140,892	-	140,892
(of which inter- segment /transfer)	73,772	1	14	7	2,995	76,792	(76,792)	-
Total	122,753	68,714	13,938	9,215	3,061	217,684	(76,792)	140,892
Segment profit	12,449	6,345	1,256	623	85	20,759	(2,995)	17,764
Segment assets	67,391	41,338	7,164	4,548	3,328	123,769	13,431	137,201
Others								
Depreciation	1,090	128	13	32	143	1,408	178	1,586
Increase in property, plant and equipment and intangible assets	4,183	293	2	11	18	4,508	28	4,537

Notes:

1. The adjustments are as follows.

- (1) Adjustment in segment profit of -2,995 million yen includes -1,587 million yen for elimination of inter-segment trade and -1,407 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) Adjustment in segment assets of 13,431 million yen includes -24,998 million yen for elimination of inter-segment trade and 38,429 million yen for corporate assets which has not been distributed in the segments. Corporate assets are primarily unused funds (cash and deposits) at Takeuchi Mfg. and assets associated with administrative departments.
- (3) The depreciation adjustment of 178 million yen is corporate expenses which has not been distributed in the segments.
- (4) The 28 million yen adjustment for increase in property, plant and equipment and intangible assets is corporate assets which has not been distributed in the segments.

2. Segment profit are adjusted for operating profit on the consolidated statements of income.

(English translation of the original Japanese document)

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(Per share information)

	Fiscal year ended February 2021 (Mar. 1, 2020 – Feb. 28, 2021)	Fiscal year ended February 2022 (Mar.1, 2021 – Feb. 28, 2022)
Net asset per share	1,885.41 yen	2,182.68 yen
Earnings per share	204.78 yen	279.91 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 (58,940 shares in the fiscal year ended in February 2021 and 58,940 shares in the fiscal year ended in February 2022) is included in treasury shares, which are deducted from the average number of shares during the period used for calculating earnings per share. Also, 58,940 shares in the fiscal year ended in February 2021 and 58,940 shares in the fiscal year ended in February 2022 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 2021 (Mar.1, 2020 – Feb. 28, 2021)	Fiscal year ended February 2022 (Mar.1, 2021 – Feb. 28, 2022)
Profit attributable to owners of parent (million yen)	9,765	13,348
Amount not attributed to common shareholders (million yen)	-	-
Profit attributable to owners of parent applicable to common stock (million yen)	9,765	13,348
Average number of shares during the period (shares)	47,686,197	47,686,146

(English translation of the original Japanese document)

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(Important subsequent events)

Acquisition of fixed assets

The Board of Directors resolved at a meeting held on February 25, 2022 that TAKEUCHI MFG.(U.S.), LTD. (hereinafter referred to as "TUS"), a consolidated subsidiary, would enter into a purchase and sale agreement with Kobelco Construction Machinery U.S.A. Inc. (hereinafter referred to as "KCMU") regarding the acquisition of fixed assets by TUS, and TUS signed the contract on the same day.

(1). Reasons for acquisition

In anticipation of the future expansion of the Group's business, TUS will acquire the construction machinery factory in South Carolina, the United States, currently owned by KCMU, for the purpose of manufacturing track loaders in the United States. The production capacity of track loaders is expected to increase by approximately 40% when the factory is fully operational, but additional investment in the future will allow for further increase in production capacity.

Currently, all track loaders are manufactured at our Head Office factory (Sakaki, Nagano), but more than 90% of them are sold in the United States. By manufacturing in the United States, the largest market, we aim to increase sales volume and market share by shortening lead times and establishing a more responsive supply system.

(2). About the asset to be acquired

Name and location of the asset	Acquisition cost	Current situation
<Land, buildings, machinery, and equipment, etc.> <ul style="list-style-type: none">• Location 1876 Moore Duncan Hwy, Moore, SC 29369 USA• Site area: Approx. 310,000 sq. meters (approx. 3,336,000 sq. feet)• Building area Factory building: Approx. 14,500 sq. meters (approx. 156,000 sq. feet) Office building: Approx. 1,600 sq. meters (approx. 17,000 sq. feet) Demonstration center: Approx. 300 sq. meters (approx. 3,200 sq. feet)• Machinery and Equipment Painting equipment, cranes, etc.	34,350,000 U.S. dollars (approx. 3,950 million yen)	Construction machinery factory

* The factory and TUS are geographically close to each other, and we believe that production and sales can be carried out efficiently.

* The yen conversion is an estimate based on 1 U.S. dollar = 115 yen.

(3). Date of Closing

April 15, 2022 (planned)