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July 12, 2022

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 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
and General Affairs Department
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Date of quarterly securities report (tentative): July 14, 2022
Date of commencement of dividend payment (tentative): -
Quarterly earnings supplementary explanatory documents: No
Quarterly financial results briefing: No

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending February 2023 (March 1, 2022 – May 31, 2022)

(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, 2022 | 42,414 | 27.2 | 5,355 | 27.4 | 5,776 | 33.7 | 4,233 | 34.2 |
| First quarter ended May 31, 2021 | 33,332 | 29.5 | 4,202 | 41.2 | 4,321 | 48.4 | 3,155 | 49.8 |

(Note) Comprehensive income: 1Q FY Feb. /2023: 6,624 million yen [28.1%], 1Q FY Feb. /2022: 5,170 million yen [217.7%]

| | Earnings per share | | Earnings per share fully diluted | |
|----------------------------------|--------------------|--|----------------------------------|--|
| | Yen | | Yen | |
| First quarter ended May 31, 2022 | 88.78 | | - | |
| First quarter ended May 31, 2021 | 66.16 | | - | |

(2) Financial Position (Consolidated)

| | Total assets | | Net assets | | Equity ratio | |
|-------------------------|--------------|--|-------------|--|--------------|--|
| | Million yen | | Million yen | | % | |
| As of May 31, 2022 | 139,404 | | 107,461 | | 77.1 | |
| As of February 28, 2022 | 137,201 | | 104,083 | | 75.9 | |

(Reference) Shareholders' equity As of May 31, 2022: 107,461 million yen As of February 28, 2022: 104,083 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. 2022 | - | 0.00 | - | 68.00 | 68.00 |
| Fiscal year ending Feb. 2023 | - | | | | |
| Fiscal year ending Feb. 2023 (estimated) | | 0.00 | - | 68.00 | 68.00 |

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

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3. Forecast for the fiscal year ending February 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 | 79,600 | 7.2 | 8,000 | (19.7) | 8,450 | (16.8) | 6,250 | (16.5) | 131.07 |
| Full year | 165,000 | 17.1 | 16,100 | (9.4) | 16,600 | (8.2) | 12,200 | (8.6) | 255.84 |

(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) 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: Yes

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(Note) For details, please see "2. Quarterly Consolidated Financial Statements and Important Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 8 of the Supplementary information.

(4) Number of shares outstanding (common shares)

(a) Shares outstanding (including treasury shares)

As of May 31, 2022: 48,999,000 As of February 28, 2022: 48,999,000

(b) Treasury shares

As of May 31, 2022: 1,312,862 As of February 28, 2022: 1,312,862

(c) Average number of shares (cumulative period)

Period ended May 31, 2022: 47,686,138 Period ended May 31, 2021: 47,686,159

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 May 31, 2022).

* 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 of the Supplementary information.

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1. Qualitative Information on Quarterly Financial Results

The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and others from the beginning of this consolidated first quarter. For details, please see "2. Quarterly Consolidated Financial Statements and Important Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)".

(1) Explanation of Operating Results

During the first quarter of the current consolidated fiscal year (March 1, 2022 to May 31, 2022), the global economy experienced logistical disruptions, shortages of parts, materials, and energy, and high prices as a result of large-scale economic sanctions in response to Russia's invasion of Ukraine, amid a persistent global shortage of goods. If the cycle of inflation continues, this could have a negative impact on both business and consumption activities, making the outlook even more uncertain.

Despite this situation, the demand for our products remained strong in both Europe and the United States. The Group acquired a factory in South Carolina, the United States, in April 2022, and is working diligently to start operations by the end of 2022 in order to meet the strong demand for our products. As the supply of electronic components began to increase, the Company was able to complete and sell work in process that had been stored in Europe and the United States. Due in part to these factors, sales volume of compact excavators, hydraulic excavators, and track loaders increased compared to the same period of the previous year.

Due to the above, net sales for the first quarter of the current consolidated fiscal year were 42,414 million yen (up 27.2% year on year). On the profit front, although there were factors which reduce profits, such as increased raw material prices and transportation costs, the increased net sales due to higher sales volume, product price increases, and the impact of yen depreciation offset the decrease in profits, resulting in operating profit of 5,355 million yen (up 27.4% year on year) and ordinary profit of 5,776 million yen (up 33.7% year on year). After income taxes of 1,543 million yen, profit attributable to owners of parent was 4,233 million yen (up 34.2% year on year).

The performance by geographic segment was as follows.

(a) Japan

Shipments to distributors in Europe account for most of the sales in this segment. In Europe, product sales remained strong despite an uncertain outlook, as policy interest rates were raised due to concerns about possible price hikes caused by Russia's invasion of Ukraine and global raw material price hikes. As a result, the sales volume of compact excavators and hydraulic excavators to European distributors increased, and net sales were 16,903 million yen (up 25.0% year on year). Although there were factors which reduce profits, such as increased raw material prices and transportation costs, the increased net sales due to higher sales volume, product price increases, and the impact of yen depreciation offset the decrease in profits, resulting in segment profit of 3,969 million yen (up 1.8% year on year).

(b) United States

In the United States segment, product sales remained strong, despite concerns about rising interest rates and shortages of lumber and other materials in the housing market. As a result, the sales volume of compact excavators, hydraulic excavators, and track loaders in the United States increased significantly, resulting in net sales of 20,104 million yen (up 44.3% year on year) due to product price increases and the impact of yen depreciation, etc. Segment profit was 2,392 million yen (up 95.2% year on year).

(c) United Kingdom

In the United Kingdom segment, product demand was strong, but local inventories were in short supply, resulting in a year on year decline in sales volume. However, due to product price increases and the impact of yen depreciation, net sales were 3,504 million yen (up 2.8% year on year), and segment profit was 358 million yen (up 19.2% year on year).

(d) France

In the France segment, product demand was strong, but local inventories were in short supply, resulting in a year on year decline in sales volume. Despite product price increases and the impact of yen depreciation, net sales were 1,850 million yen (down 24.8% year on year), and segment profit was 141 million yen (down 8.5% year on year).

(e) China

In the China segment, net sales were 51 million yen (up 376.6% year on year) due to sales of products to Southeast Asia, etc. However, due to a sharp rise in raw material costs, segment loss was 7 million yen (segment profit of 26 million yen in the same period of the previous fiscal year).

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(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter of the current consolidated fiscal year increased by 2,202 million yen compared to the end of the previous fiscal year to 139,404 million yen. This was mainly due to increases in notes and accounts receivable - trade of 4,219 million yen due to higher sales, and in other of property, plant and equipment of 516 million yen due to an increase in construction in progress resulting from the start-up of the factories in Japan and the United States, despite decreases in cash and deposits of 2,384 million yen and in inventories of 543 million yen. Of the inventories, work in process decreased 2,340 million yen. This was mainly due to the fact that the supply of electronic components began to increase and work in process, which had been stored in the United States and Europe, was completed and sold to customers as finished products.

(Liabilities)

Liabilities at the end of the first quarter of the current consolidated fiscal year decreased by 1,174 million yen compared to the end of the previous fiscal year to 31,943 million yen. This was mainly due to decreases in accounts payable -trade of 1,303 million yen and in income taxes payable of 1,242 million yen, despite increases in other of current liabilities of 939 million yen and in provision for bonuses of 283 million yen.

(Net assets)

Total net assets at the end of the first quarter of the current consolidated fiscal year increased by 3,377 million yen compared to the end of the previous fiscal year to 107,461 million yen. This was mainly due to the increase in retained earnings because of an increase in profit attributable to owners of parent of 4,233 million yen despite a decrease of 3,246 million yen for dividend payments, and the increase in foreign currency translation adjustments of 2,390 million yen.

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

The first half and the full-year consolidated earnings forecast for the fiscal year ending February 2023 has been revised from the forecast announced on April 12, 2022. For details, please refer to "Notice Regarding Revision of Earnings Forecast" announced today (July 12, 2022). This forecast is based on assumed exchange rates for the second quarter onward of 128 yen to the US dollar, 157 yen to the British pound, 135 yen to the euro and 19.10 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, 2022 | As of May 31, 2022 |
|--|-------------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 47,258 | 44,874 |
| Notes and accounts receivable - trade | 25,737 | 29,956 |
| Merchandise and finished goods | 27,569 | 28,878 |
| Work in process | 6,108 | 3,767 |
| Raw materials and supplies | 7,674 | 8,163 |
| Other | 3,435 | 3,635 |
| Allowance for doubtful accounts | (1,079) | (1,150) |
| Total current assets | 116,705 | 118,126 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 7,648 | 7,778 |
| Machinery, equipment and vehicles, net | 1,546 | 1,538 |
| Land | 2,627 | 2,665 |
| Other, net | 3,559 | 4,076 |
| Total property, plant and equipment | 15,382 | 16,059 |
| Intangible assets | 682 | 714 |
| Investments and other assets | | |
| Deferred tax assets | 2,323 | 2,508 |
| Other | 2,128 | 2,016 |
| Allowance for doubtful accounts | (21) | (21) |
| Total investments and other assets | 4,430 | 4,503 |
| Total non-current assets | 20,496 | 21,278 |
| Total assets | 137,201 | 139,404 |

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(Millions of yen)

| | As of February 28, 2022 | As of May 31, 2022 |
|---|-------------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 24,491 | 23,187 |
| Income taxes payable | 2,862 | 1,620 |
| Provision for bonuses | 426 | 710 |
| Provision for product warranties | 1,701 | 1,840 |
| Other | 3,055 | 3,994 |
| Total current liabilities | 32,537 | 31,353 |
| Non-current liabilities | | |
| Provision for share awards for directors (and other officers) | 69 | 73 |
| Retirement benefit liability | 80 | 63 |
| Other | 430 | 453 |
| Total non-current liabilities | 580 | 589 |
| Total liabilities | 33,117 | 31,943 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,632 | 3,632 |
| Capital surplus | 3,631 | 3,631 |
| Retained earnings | 96,444 | 97,431 |
| Treasury shares | (1,985) | (1,985) |
| Total shareholders' equity | 101,723 | 102,710 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1) | (0) |
| Foreign currency translation adjustment | 2,326 | 4,717 |
| Remeasurements of defined benefit plans | 34 | 33 |
| Total accumulated other comprehensive income | 2,360 | 4,751 |
| Total net assets | 104,083 | 107,461 |
| Total liabilities and net assets | 137,201 | 139,404 |

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(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(For the first quarter)

(Millions of yen)

| | First quarter ended May 31, 2021 | First quarter ended May 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 33,332 | 42,414 |
| Cost of sales | 26,202 | 32,611 |
| Gross profit | 7,129 | 9,802 |
| Selling, general and administrative expenses | | |
| Transportation costs | 1,331 | 2,640 |
| Provision for product warranties | 337 | 337 |
| Provision of allowance for doubtful accounts | 0 | (0) |
| Remuneration for directors (and other officers) | 72 | 76 |
| Salaries and allowances | 451 | 507 |
| Provision for bonuses | 62 | 67 |
| Retirement benefit expenses | 12 | 12 |
| Provision for share awards for directors (and other officers) | 2 | 3 |
| Other | 656 | 800 |
| Total selling, general and administrative expenses | 2,926 | 4,446 |
| Operating profit | 4,202 | 5,355 |
| Non-operating income | | |
| Interest income | 11 | 5 |
| Foreign exchange gains | 79 | 399 |
| Other | 33 | 15 |
| Total non-operating income | 124 | 421 |
| Non-operating expenses | | |
| Loss on retirement of non-current assets | 5 | 0 |
| Other | 0 | 0 |
| Total non-operating expenses | 5 | 0 |
| Ordinary profit | 4,321 | 5,776 |
| Profit before income taxes | 4,321 | 5,776 |
| Income taxes - current | 1,473 | 1,697 |
| Income taxes - deferred | (307) | (154) |
| Total income taxes | 1,166 | 1,543 |
| Profit | 3,155 | 4,233 |
| Profit attributable to owners of parent | 3,155 | 4,233 |

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(Quarterly consolidated statements of comprehensive income)

(For the first quarter)

(Millions of yen)

| | First quarter ended May 31, 2021 | First quarter ended May 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Profit | 3,155 | 4,233 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3 | 1 |
| Foreign currency translation adjustment | 2,015 | 2,390 |
| Remeasurements of defined benefit plans, net of tax | (3) | (0) |
| Total other comprehensive income | 2,015 | 2,390 |
| Comprehensive income | 5,170 | 6,624 |
| Comprehensive income attributable to owners of parent | 5,170 | 6,624 |
| 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

(Changes in accounting policies)

(Accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and others from the beginning of this consolidated first quarter, and recognizes revenue at the time of the transfer of promised goods or services to the customer in an amount we expect to be entitled in exchange for those goods or services. As a result, we recognize revenue on export sales when the risk burden is transferred to the customer in accordance with trade terms mainly defined by Incoterms or other agreements.

In accordance with transitional treatment set out in the proviso of Paragraph 84 of the "Accounting Standard for Revenue Recognition", the cumulative effects arising from the retroactive application of these new accounting policies to all the previous fiscal years were reflected in Retained Earnings as of March 1, 2022, and the new accounting policies are applied from the beginning of the fiscal year. However, in accordance with the method stipulated in Paragraph 86 of the "Accounting Standard for Revenue Recognition", it is not applied retroactively for the contracts for which almost all revenues have been recognized under the previous accounting standard before the beginning of this consolidated first quarter. In addition, following the application of the method prescribed in Paragraph 86 (1) of the "Accounting Standard for Revenue Recognition", all contracts that have been modified prior to the beginning of this consolidated first quarter are accounted for based on the contract terms after reflecting the modification, and the cumulative effect of the modification is added to or subtracted from retained earnings at the beginning of this consolidated first quarter.

The effect of this change in accounting policy on the quarterly consolidated financial statements is immaterial. There is no effect on the balance of retained earnings at the beginning of the period.

Additionally, according to transitional treatment set out in the Paragraph 28-15 of the "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenue from contracts with customers for the previous consolidated first quarter is not presented.

(Accounting standard for calculated, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of this consolidated first quarter. In addition, in accordance with the transitional treatment set forth in Paragraph 19 of the "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply prospectively the new accounting policy set forth in the "Accounting Standard for Fair Value Measurement" and others.

There is no effect on the quarterly consolidated financial statements.

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(Segment information, etc.)

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

1. 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.

II. For the first quarter ended May 2022 (March 1, 2022 – May 31, 2022)

1. Information about sales and profit (loss) by reporting segments and disaggregated revenue

(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 Revenue from contracts with customers | 16,903 | 20,104 | 3,504 | 1,850 | 51 | 42,414 | - | 42,414 |
| Net sales (of which to outside customers) | 16,903 | 20,104 | 3,504 | 1,850 | 51 | 42,414 | - | 42,414 |
| (of which inter- segment /transfer) | 23,325 | 0 | 3 | 1 | 664 | 23,995 | (23,995) | - |
| Total | 40,228 | 20,105 | 3,507 | 1,851 | 715 | 66,409 | (23,995) | 42,414 |
| Segment profit/loss | 3,969 | 2,392 | 358 | 141 | (7) | 6,852 | (1,497) | 5,355 |

Notes:

1. Adjustment in segment profit and loss of -1,497 million yen includes -1,103 million yen for elimination of inter-segment trade and -393 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.
3. The information on revenue breakdown is the same as the information on sales of reporting segments in the segment information, etc., and the breakdown information is provided by geographic region.

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2. Matters related to changes in reporting segments, etc.

As described in the Notes (Changes in Accounting Policies), the Company has applied the "Accounting Standard for Revenue Recognition" etc. from the beginning of this consolidated first quarter, and has changed the accounting method for revenue recognition, and has similarly changed the method for calculating net sales and segment income (loss) in the reporting segments. The effect of this change is immaterial.

(Subsequent events)

None