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January 13, 2023

Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 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
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Date of quarterly securities report (tentative): January 13, 2023
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 three quarters of the fiscal year ending February 2023 (March 1, 2022 – November 30, 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 three quarters ended November 2022	132,926	24.3	13,952	(1.5)	14,770	2.6	10,931	3.0
First three quarters ended November 2021	106,902	30.2	14,160	41.0	14,398	43.3	10,618	45.3

(Note) Comprehensive income: First three quarters of FY Feb./2023: 19,946 million yen [54.4 %],
First three quarters of FY Feb./2022: 12,918 million yen [101.3%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended November 2022	229.29		-	
First three quarters ended November 2021	222.67		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of November 30, 2022	156,846		120,736		77.0	
As of February 28, 2022	137,201		104,083		75.9	

(Reference) Shareholders' equity

As of November 30, 2022: 120,736 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	-	0.00	-		
Fiscal year ending Feb. 2023 (est.)				98.00	98.00

(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
Full year	173,000	22.8	20,000	12.6	21,000	16.1	15,500	16.1	325.12

(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) 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: Yes

(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 shares)

As of November 30, 2022: 48,999,000 As of February 28, 2022: 48,999,000

(b) Treasury shares

As of November 30, 2022: 1,331,562 As of February 28, 2022: 1,312,862

(c) Average number of shares (quarterly consolidated cumulative period)

Period ended November 30, 2022: 47,677,366 Period ended November 30, 2021: 47,686,148

(Note) Treasury shares include shares held by the Board Incentive Plan Trust (58,940 shares as of February 28, 2022 and 77,640 shares as of November 30, 2022).

* 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 "Explanation of Forecast Information such as Consolidated Earnings Forecast, etc." on page 3.

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1. Qualitative Information on Quarterly Financial Results

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

(1) Explanation of Operating Results

During the first three quarters of the current consolidated fiscal year (March 1, 2022 to November 30, 2022), the global economy experienced 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. Historic inflation, and rapid interest rate hikes in the United States and European countries in an attempt to stabilize prices have had a negative impact on both business and consumer activities, as well as causing sharp changes in exchange rates. And the uncertain outlook for the global economy continued.

Despite this situation, we believe that demand for our products, which are closely related to housing and indispensable for essential businesses that support social infrastructure, will continue to grow steadily in the future, and we are working to increase production capacity. Production of track loaders started in September 2022 at the factory in South Carolina, the United States, which we acquired in April 2022. All track loaders had been manufactured at our home office factory (Sakaki-machi, Hanishina-gun, Nagano Prefecture) and more than 90% of these products are sold in the United States. From now on, by manufacturing in the United States, the largest market for track loaders, we shorten lead times and establish a more responsive supply system with an aim to increase sales volume and market share.

The demand for our products remained strong in both Europe and the United States. Orders received during the first three quarters of the current consolidated fiscal year totaled 177,881 million yen (up 0.6% year on year). On the other hand, there have been delays in parts delivery and logistics due to a combination of factors, including the prolonged impact of the spread of COVID-19, chronic parts shortages, and unstable overseas conditions. As a result, the Group's production volume was lower than in the same period of the previous year, and the order backlog at the end of the third quarter of the current consolidated fiscal year was 178,804 million yen (up 55.9% year on year).

Consequently, sales volume increased during the first three quarters of the current consolidated fiscal year, and net sales were 132,926 million yen (up 24.3% year on year), partly due to sales of the new TB335R compact excavator, which was launched in the market in September 2022. On the profit front, operating profit was 13,952 million yen (down 1.5% year on year) due to increases in raw material prices and transportation costs, despite factors contributing to higher profit, including increased net sales resulting from higher sales volume, product price increases, and the impact of the yen's depreciation.

Ordinary profit was 14,770 million yen (up 2.6% year on year) due to foreign exchange gains of 948 million yen, among other factors. After income taxes of 3,838 million yen, profit attributable to owners of parent was 10,931 million yen (up 3.0% 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 although the outlook remained uncertain, as policy interest rates were raised due to rising prices caused by the Ukraine crisis and global raw material price hikes. The sales volume of compact excavators and hydraulic excavators to European distributors significantly increased, and net sales were 44,347 million yen (up 19.5% year on year). Segment profit was 7,538 million yen (down 19.6% year on year) due to increases in raw material prices and transportation costs, despite factors to increase profits such as higher sales, product price increases, and the impact of the yen depreciation.

(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. The sales volume of compact excavators, hydraulic excavators, and track loaders in the United States increased significantly, resulting in net sales of 73,625 million yen (up 44.7% year on year) due to product price increases and the impact of the yen depreciation, etc. Segment profit was 7,613 million yen (up 59.3% year on year)

(c) United Kingdom

In the UK segment, product demand remained strong, but local machine inventories were in short supply, resulting in a year on year decline in sales volume. Despite product price increases and the impact of the yen depreciation, net sales were 9,347 million yen (down 18.6% year on year), and segment profit was 859 million yen (down 20.2% year on year).

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(d) France

In the France segment, product demand was strong, but local machine inventories were in short supply, resulting in a year on year decline in sales volume. Despite product price increases and the impact of the yen depreciation, net sales were 5,477 million yen (down 25.6% year on year), and segment profit was 503 million yen (up 0.2% year on year).

(e) China

In the China segment, net sales were 128 million yen (up 135.8% year on year) due to sales of products to Southeast Asia, etc. However, due to a sharp rise in raw material costs, segment profit was 1 million yen (down 98.3% year on year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the current consolidated fiscal year increased by 19,644 million yen compared to the end of the previous fiscal year to 156,846 million yen. This was mainly due to an increase of 6,428 million yen in notes and accounts receivable-trade due to increased sales, an increase of 4,306 million yen in inventories, and an increase of 8,361 million yen in property, plant and equipment due to the acquisition of a factory in the United States and the construction of a factory in Aoki-mura, despite a decrease of 1,608 million yen in cash and deposits. Of the inventory, work in process increased by 11,286 million yen to 17,395 million yen. This was mainly due to an increase in local work in process inventories as a result of prior shipments of work in process with no electronic components installed in order to retrofit electronic components locally as a countermeasure for the unstable arrival of electronic components, and track loaders, which will be finished at the United States factory, began to be shipped as work in process from the home office factory due to the start of operation of the United States factory.

(Liabilities)

Total liabilities at the end of the third quarter of the current consolidated fiscal year increased by 2,992 million yen compared to the end of the previous fiscal year to 36,110 million yen. This was mainly due to increases in other current liabilities of 2,329 million yen, accounts payable - trade of 1,994 million yen, and provision for product warranties of 537 million yen, despite a decrease in income taxes payable of 1,848 million yen.

(Net assets)

Total net assets at the end of the third quarter of the current consolidated fiscal year increased by 16,652 million yen compared to the end of the previous consolidated fiscal year to 120,736 million yen. This was mainly due to the increase in retained earnings because of an increase in profit attributable to owners of parent of 10,931 million yen despite a decrease of 3,246 million yen for dividend payments, and the increase in foreign currency translation adjustments of 9,010 million yen.

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

There is no change to the full-year earnings forecast announced in the "Notice Regarding Revisions of Earnings Forecast and Dividend Forecast" dated October 13, 2022. This forecast is based on assumed exchange rates of 135 yen to the US dollar, 150 yen to the British pound, 133 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

(Million yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	47,258	45,650
Notes and accounts receivable - trade	25,737	32,165
Merchandise and finished goods	27,569	18,460
Work in process	6,108	17,395
Raw materials and supplies	7,674	9,803
Other	3,435	4,430
Allowance for doubtful accounts	(1,079)	(1,217)
Total current assets	116,705	126,688
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,648	10,174
Machinery, equipment and vehicles, net	1,546	1,538
Land	2,627	3,661
Other, net	3,559	8,370
Total property, plant and equipment	15,382	23,744
Intangible assets	682	743
Investments and other assets		
Deferred tax assets	2,323	3,378
Other	2,128	2,313
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	4,430	5,669
Total non-current assets	20,496	30,158
Total assets	137,201	156,846

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(Million yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	24,491	26,486
Income taxes payable	2,862	1,014
Provision for bonuses	426	378
Provision for product warranties	1,701	2,238
Other	3,055	5,384
Total current liabilities	32,537	35,502
Non-current liabilities		
Provision for share awards for directors (and other officers)	69	91
Retirement benefit liability	80	64
Other	430	452
Total non-current liabilities	580	607
Total liabilities	33,117	36,110
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	96,444	104,129
Treasury shares	(1,985)	(2,032)
Total shareholders' equity	101,723	109,361
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1)	4
Foreign currency translation adjustment	2,326	11,337
Remeasurements of defined benefit plans	34	31
Total accumulated other comprehensive income	2,360	11,374
Total net assets	104,083	120,736
Total liabilities and net assets	137,201	156,846

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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 30, 2021	First three quarters ended November 30, 2022
Net sales	106,902	132,926
Cost of sales	83,489	101,863
Gross profit	23,412	31,063
Selling, general and administrative expenses		
Transportation costs	4,421	11,142
Provision for product warranties	874	1,052
Provision of allowance for doubtful accounts	(0)	0
Remuneration for directors (and other officers)	222	248
Salaries and allowances	1,527	1,884
Provision for bonuses	102	127
Retirement benefit expenses	36	40
Provision for share awards for directors (and other officers)	10	21
Other	2,057	2,594
Total selling, general and administrative expenses	9,252	17,110
Operating profit	14,160	13,952
Non-operating income		
Interest income	30	50
Foreign exchange gains	78	948
Other	144	69
Total non-operating income	253	1,068
Non-operating expenses		
Loss on retirement of non-current assets	15	230
Other	0	20
Total non-operating expenses	15	250
Ordinary profit	14,398	14,770
Profit before income taxes	14,398	14,770
Income taxes - current	3,691	4,782
Income taxes - deferred	89	(943)
Total income taxes	3,780	3,838
Profit	10,618	10,931
Profit attributable to owners of parent	10,618	10,931

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(Quarterly Consolidated Statements of Comprehensive Income)
(For the First Three Quarters)

(Million yen)

	First three quarters ended November 30, 2021	First three quarters ended November 30, 2022
Profit	10,618	10,931
Other comprehensive income		
Valuation difference on available-for-sale securities	2	6
Foreign currency translation adjustment	2,307	9,010
Remeasurements of defined benefit plans, net of tax	(9)	(2)
Total other comprehensive income	2,300	9,014
Comprehensive income	12,918	19,946
Comprehensive income attributable to owners of parent	12,918	19,946
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

(Changes in Accounting Policies)

(Application of 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 the first quarter of the consolidated fiscal year, 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 the first quarter of the consolidated fiscal year. 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 the first quarter of the consolidated fiscal year 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 the first quarter of the consolidated fiscal year.

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 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 first half of the previous consolidated fiscal year is not presented.

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the consolidated fiscal year. 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, other)

[Segment information]

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

1. 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.

II. For the first three quarters ended November 2022 (March 1, 2022 – November 30, 2022)

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

(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 Revenue from contracts with customers	44,347	73,625	9,347	5,477	128	132,926	—	132,926
Net sales (of which to outside customers)	44,347	73,625	9,347	5,477	128	132,926	—	132,926
(of which inter- segment/transfer)	63,539	1	10	2	2,460	66,014	(66,014)	—
Total	107,886	73,627	9,358	5,480	2,588	198,941	(66,014)	132,926
Segment profit	7,538	7,613	859	503	1	16,515	(2,563)	13,952

Notes: 1. Adjustment in segment profit of -2,563 million yen includes -1,296 million yen for elimination of inter-segment trade and -1,267 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 in 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.

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 the first quarter of the consolidated fiscal year, 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.

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