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July 13, 2023

Summary of Consolidated Financial Results For the Three Months Ended May 31, 2023 [Japanese 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 quarterly securities report (tentative):	July 14, 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 three months ended May 31, 2023 (March 1, 2023 – May 31, 2023)

(1) Results of operations (Consolidated, cumulative) (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	%
Three months ended May 31, 2023	53,039	25.0	8,542	59.5	8,383	45.1	6,103	44.2
Three months ended May 31, 2022	42,414	27.2	5,355	27.4	5,776	33.7	4,233	34.2

(Note) Comprehensive income: For the three months ended May 31, 2023: 6,720 million yen [1.4%], For the three months ended May 31, 2022: 6,624 million yen [28.1%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
Three months ended May 31, 2023	128.04		-	
Three months ended May 31, 2022	88.78		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2023	162,883		123,843		76.0	
As of February 28, 2023	158,785		121,802		76.7	

(Reference) Shareholders' equity As of May 31, 2023: 123,843 million yen As of February 28, 2023: 121,802 million yen

2. Dividends

	Dividends 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. 2023	-	0.00	-	98.00	98.00
Fiscal year ending Feb. 2024	-				
Fiscal year ending Feb. 2024 (estimated)		0.00	-	115.00	115.00

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

(Note) Breakdown of the year-end dividends per share for the fiscal year ending Feb. 2024 (estimated):

Ordinary dividends: 110.00 yen, Commemorative dividends for the 60th anniversary of founding: 5.00 yen

3. Forecast for the fiscal year ending February 2024 (Consolidated, March 1, 2023, to February 29, 2024)

(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	96,200	11.8	14,500	55.4	14,400	39.3	10,300	34.4	216.08
Full year	189,000	5.6	24,000	13.1	23,900	11.8	17,200	7.6	360.83

(Note) Change in the forecast from the latest announcement: None

* Notes

- (1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles and estimates, and retrospective restatement
 - (a) Changes due to revision of accounting standards: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatement: None
- (4) Number of shares outstanding (common shares)
 - (a) Shares outstanding (including treasury shares)

	As of May 31, 2023:	48,999,000		As of February 28, 2023:	48,999,000
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 - (b) Treasury shares

	As of May 31, 2023:	1,331,597		As of February 28, 2023:	1,331,562
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 - (c) Average number of shares (cumulative period)

	Period ended May 31, 2023:	47,667,422		Period ended May 31, 2022:	47,686,138
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Note: Treasury shares include shares held by the Board Incentive Plan Trust (77,640 shares as of February 28, 2023, and 77,640 shares as of May 31, 2023).

* 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

(1) Explanation of Operating Results

During the first quarter of the current fiscal year (March 1, 2023 to May 31, 2023), the outlook for the global economy remained uncertain due to the prolonged Ukraine situation, global inflation, and financial instability caused by higher policy interest rates in various countries, but there were signs of a gradual recovery, including steady improvement in the employment and income environment in the US and upward revisions of 2023 growth rates in almost all EU member countries in Europe.

Under this environment, Takeuchi Group's sales continued to be strong in both Europe and the US. In particular, the sales volume of compact excavators and track loaders grew significantly in the US. In addition, we launched a compact excavator, TB350R, and a wheeled excavator, TB395W on the market. With the addition of these new products to our product portfolio, we are working to expand our market share.

In our third mid-term business plan (from the fiscal year ended February 28, 2023 to the fiscal year ending February 28, 2025), the Group has set a target of 240 billion yen in consolidated net sales for the fiscal year ending February 28, 2025, the final year of the plan, and is working to increase production capacity to achieve this target. Following the factory in South Carolina, US, which started production of track loaders by semi-knockdown method in September 2022, the Aoki factory will start operation in Aoki-mura, Chiisagata-gun, Nagano Prefecture in September 2023, and the production of mid-sized excavators of 4 to 9 tons will be transferred from the home office factory. The US and Aoki factories are expected to be fully operational in the fiscal year ending February 2025, and combined with the existing home office factory, production capacity is expected to be roughly 1.5 times higher than the current level.

Demand for products remained strong, but because the order backlog had accumulated over time, orders received in the first quarter of the current consolidated fiscal year totaled 47,623 million yen (down 28.5% year on year), and the order backlog at the end of the first quarter of the fiscal year was 185,332 million yen, a decrease of 5,415 million yen from the end of the previous fiscal year.

As a result, net sales for the first quarter of the current fiscal year were 53,039 million yen (up 25.0% year on year). On the profit front, operating profit was 8,542 million yen (up 59.5% year on year) and ordinary profit was 8,383 million yen (up 45.1% year on year) due to an increase in sales volume, product price increases, lower transportation costs, and the impact of the yen's depreciation, despite factors that reduced profits, including soaring raw material prices and depreciation and labor costs at the US factory that started operation in September 2022. After income taxes of 2,280 million yen, profit attributable to owners of parent was 6,103 million yen (up 44.2% 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 were strong due to robust non-residential construction work, including urban infrastructure works and construction investment, although rising mortgage interest rates and soaring energy and other living costs were pushing down housing demand. Although the sales volume to European distributors decreased compared to the same period last year, when the supply of electronic components temporarily recovered and the sales volume increased significantly, net sales increased by 13.2% year on year to 19,128 million yen due to product price increases, and the impact of the yen's depreciation. Segment profit increased by 40.5% to 5,577 million yen due to higher product prices, lower transportation costs, and the impact of the yen's depreciation, despite factors that reduced profits, such as higher raw material prices.

(b) United States

In the US segment, housing starts were in an adjustment phase due to factors such as high mortgage rates and housing prices but have now begun to recover as potential demand for housing is strong and mortgage rates are more stable than before. In addition, product sales were stronger than in Europe due to active non-housing related construction works such as urban infrastructure works and construction investment. Net sales increased by 37.9% year on year to 27,721 million yen due to a large increase in sales of compact excavators and track loaders, as well as price increases of products and the impact of the yen's depreciation. Segment profit increased by 4.7% year on year to 2,503 million yen, despite factors that reduced profits, such as depreciation and labor costs for the US factory.

(c) United Kingdom

In the UK segment, machine sales were strong due to robust non-residential construction work, including urban infrastructure works and construction investment, although rising mortgage interest rates and soaring energy and other living costs were pushing down housing demand. As a result, net sales increased by 8.8% year on year to 3,813 million yen and segment profit increased by 43.6% to 514 million yen, due to an increase in the sales volume of

compact excavators compared to the same period last year, as well as product price increases and the impact of the yen's depreciation.

(d) France

In the France segment, machine sales were strong due to robust non-residential construction work, including urban infrastructure works and construction investment, although rising mortgage interest rates and soaring energy and other living costs were pushing down housing demand. As a result, net sales increased by 28.0% year on year to 2,368 million yen and segment profit increased by 91.1% to 269 million yen, due to an increase in the sales volume of compact excavators compared to the same period last year, as well as product price increases and the impact of the yen's depreciation.

(e) China

In the China segment, the main business is the manufacture and sale of construction machinery parts for the Japan segment, and net sales to external customers decreased by 85.2% year on year to 7 million yen. Segment profit was 5 million yen (segment loss of 7 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter of the current consolidated fiscal year increased by 4,097 million yen compared to the end of the previous consolidated fiscal year to 162,883 million yen. This was mainly due to a 5,349 million yen increase in notes and accounts receivable – trade resulting from higher sales, and a 1,918 million yen increase in inventories, despite a 3,582 million yen decrease in cash and deposits. Of the inventories, work in process decreased by 3,691 million yen to 11,655 million yen. This was mainly because the work in process, which had been stored in the US and Europe, was completed, and sold to customers as finished products due to the increased supply of some electronic components.

(Liabilities)

Total liabilities at the end of the first quarter of the current consolidated fiscal year increased by 2,056 million yen compared to the end of the previous consolidated fiscal year to 39,039 million yen. This was mainly due to a 1,544 million yen increase in accounts payable - trade and a 490 million yen increase in provision for bonuses.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year increased by 2,040 million yen compared to the end of the previous fiscal year to 123,843 million yen. This was mainly due to the increase in retained earnings because of an increase in profit attributable to owners of parent of 6,103 million yen notwithstanding a decrease of 4,679 million yen for dividend payments, and the increase in foreign currency translation adjustments of 615 million yen.

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

There are no changes to the consolidated earnings forecasts, announced in the financial results on April 11, 2023, for the first half and full year of the fiscal year ending February 29, 2024.

This forecast for the current fiscal year is based on assumed exchange rates of 127 yen to the US dollar, 154 yen to the British pound, 136 yen to the euro, and 18.70 yen to the yuan.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2023	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	43,995	40,412
Notes and accounts receivable - trade	35,739	41,089
Merchandise and finished goods	22,013	26,053
Work in process	15,346	11,655
Raw materials and supplies	10,363	11,932
Other	4,138	4,294
Allowance for doubtful accounts	(1,137)	(1,160)
Total current assets	130,459	134,277
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,592	9,550
Machinery, equipment and vehicles, net	2,491	2,288
Land	3,553	3,614
Other, net	7,082	7,451
Total property, plant and equipment	22,721	22,905
Intangible assets	759	789
Investments and other assets		
Deferred tax assets	2,882	2,963
Other	1,985	1,968
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	4,846	4,910
Total non-current assets	28,326	28,605
Total assets	158,785	162,883

(Millions of yen)

	As of February 28, 2023	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	26,755	28,300
Income taxes payable	1,869	2,019
Provision for bonuses	639	1,130
Provision for product warranties	2,058	2,215
Other	5,053	4,753
Total current liabilities	36,376	38,419
Non-current liabilities		
Provision for share awards for directors (and other officers)	94	99
Retirement benefit liability	72	82
Other	439	437
Total non-current liabilities	606	620
Total liabilities	36,983	39,039
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	109,177	110,602
Treasury shares	(2,032)	(2,032)
Total shareholders' equity	114,409	115,834
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16	16
Foreign currency translation adjustment	7,387	8,002
Remeasurements of defined benefit plans	(11)	(10)
Total accumulated other comprehensive income	7,392	8,009
Total net assets	121,802	123,843
Total liabilities and net assets	158,785	162,883

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (For the three months)

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Net sales	42,414	53,039
Cost of sales	32,611	40,070
Gross profit	9,802	12,968
Selling, general and administrative expenses		
Transportation costs	2,640	2,110
Provision for product warranties	337	412
Provision of allowance for doubtful accounts	(0)	0
Remuneration for directors (and other officers)	76	84
Salaries and allowances	507	648
Provision for bonuses	67	106
Retirement benefit expenses	12	16
Provision for share awards for directors (and other officers)	3	5
Other	800	1,043
Total selling, general and administrative expenses	4,446	4,426
Operating profit	5,355	8,542
Non-operating income		
Interest income	5	67
Foreign exchange gains	399	—
Other	15	20
Total non-operating income	421	88
Non-operating expenses		
Loss on retirement of non-current assets	0	0
Foreign exchange losses	—	245
Other	0	0
Total non-operating expenses	0	246
Ordinary profit	5,776	8,383
Profit before income taxes	5,776	8,383
Income taxes - current	1,697	2,360
Income taxes - deferred	(154)	(80)
Total income taxes	1,543	2,280
Profit	4,233	6,103
Profit attributable to owners of parent	4,233	6,103

(Quarterly consolidated statements of comprehensive income)
(For the three months)

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Profit	4,233	6,103
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(0)
Foreign currency translation adjustment	2,390	615
Remeasurements of defined benefit plans, net of tax	(0)	1
Total other comprehensive income	<u>2,390</u>	<u>616</u>
Comprehensive income	<u>6,624</u>	<u>6,720</u>
Comprehensive income attributable to owners of parent	6,624	6,720
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to quarterly consolidated financial statements
(Notes to going concern assumptions)
None

(Significant changes in shareholders' equity)
None

(Segment information, etc.)

I. For the three months 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	US	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) (Of which inter-segment /transfer)	16,903	20,104	3,504	1,850	51	42,414	-	42,414
	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.

II. For the three months ended May 2023 (March 1, 2023 – May 31, 2023)

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	US	UK	France	China			
Net sales Revenue from contracts with customers	19,128	27,721	3,813	2,368	7	53,039	—	53,039
Net sales (Of which to outside customers) (Of which inter-segment / transfer)	19,128	27,721	3,813	2,368	7	53,039	—	53,039
	24,498	0	3	1	798	25,302	(25,302)	—
Total	43,626	27,721	3,817	2,370	806	78,341	(25,302)	53,039
Segment profit	5,577	2,503	514	269	5	8,870	(328)	8,542

Notes:

1. Adjustment in segment profit of -328 million yen includes 190 million yen for elimination of inter-segment trade and -518 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.

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.

(Subsequent events)

None