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October 12, 2023

Summary of Consolidated Financial Results For the Six Months Ended August 31, 2023 [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/
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Date of quarterly securities report (tentative):	October 13, 2023
Date of commencement of dividend payment (tentative):	-
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly financial results briefing:	Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the six months ended August 2023 (March 1, 2023 – August 31, 2023)

(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	%
Six months ended August 31, 2023	105,176	22.3	16,969	81.9	17,072	65.1	12,670	65.3
Six months ended August 31, 2022	86,033	15.9	9,328	(6.3)	10,339	1.8	7,663	2.4

(Note) Comprehensive income: For the six months ended August 31, 2023: 18,223 million yen [26.5%],
For the six months ended August 31, 2022: 14,405 million yen [51.0%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
Six months ended August 31, 2023	265.81		-	
Six months ended August 31, 2022	160.71		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2023	175,750		135,346		77.0	
As of February 28, 2023	158,785		121,802		76.7	

(Reference) Shareholders' equity

As of August 31, 2023: 135,346 million yen As of February 28, 2023: 121,802 million yen

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Full year
	Yen				
Fiscal year ended February 2023	-	0.00	-	98.00	98.00
Fiscal year ending February 2024	-	0.00			
Fiscal year ending February 2024 (est.)			-	158.00	158.00

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

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

Ordinary dividends: 153.00 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
Full year	205,000	14.5	33,100	56.0	33,200	55.3	24,200	51.4	507.68

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

* Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation) : None

(2) Application of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: None

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

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(4) Number of shares outstanding (common shares)

(a) Shares outstanding (including treasury shares)

As of August 31, 2023: 48,999,000 As of February 28, 2023: 48,999,000

(b) Treasury shares

As of August 31, 2023: 1,331,635 As of February 28, 2023: 1,331,562

(c) Average number of shares

Period ended August 31, 2023: 47,667,402 Period ended August 31, 2022: 47,682,276

(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 August 31, 2023).

* This report is exempt from the quarterly audit review.

* Cautionary statement regarding forecasts of operating results and special notes

(1) Forward-looking statements

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.

(2) Access to supplementary explanatory materials for quarterly financial results and contents of quarterly financial results briefing.

The Company plans to hold a financial result briefing for institutional investors and securities analysts on October 24, 2023. The presentation materials to be used at the meeting will be posted on the Company's website on the day of the briefing.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first half of the current fiscal year (March 1, 2023 to August 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, however, consumer spending remained strong in the US due to favorable employment conditions and rising wages. In Europe, the economy is currently soft, but there are signs of a recovery, as inflation is expected to decline gradually and real income is expected to improve and consumer spending is expected to recover.

Under this environment, Takeuchi Group's sales continued to be strong in both Europe and the US. The sales volume of compact excavators, hydraulic excavators, and track loaders exceeded those of the same period of the previous fiscal year. 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 aim 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), we are working to increase production capacity. Following the factory in South Carolina, US, which started production of track loaders by the semi-knockdown method in September 2022, we sequentially started production of mid-sized excavators (4 to 9 tons) at our Aoki factory in Aoki-mura, Chiisagata-gun, Nagano Prefecture from September 2023. 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.

Orders received in the first half of the current consolidated fiscal year totaled 87,309 million yen (down 33.3% year on year), and the order backlog at the end of the first half of the fiscal year was 172,880 million yen, a decrease of 17,866 million yen from the end of the previous fiscal year. Orders received decreased significantly year on year, but this is due to the fact that both the customer and the Group are adjusting orders received and placed in order to bring the accumulated order backlog to a normal volume.

Net sales for the first half of the current fiscal year were 105,176 million yen (up 22.3% year on year). On the profit front, operating profit was 16,969 million yen (up 81.9% year on year) and ordinary profit was 17,072 million yen (up 65.1% 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 4,402 million yen, profit attributable to owners of parent was 12,670 million yen (up 65.3% 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. Net sales increased by 22.8% year on year to 36,166 million yen due to an increase in sales volume for European distributors, as well as price increases of products and the impact of the yen's depreciation. Segment profit increased by 117.0% to 12,458 million yen due to sales volume increase, 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 continued to be in an adjustment phase due to factors such as high mortgage rates and housing prices. However, product sales remained strong due to strong latent demand for housing and brisk non-housing related construction work such as infrastructure work and construction investment. Net sales increased by 20.0% year on year to 56,618 million yen due to an increase in sales volumes, as well as price increases of products and the impact of the yen's depreciation. Segment profit increased by 3.7% year on year to 5,167 million yen due to sales volume increase and the yen's depreciation, despite factors that reduced profits such as depreciation and labor costs for the US factory, which started operation in September 2022.

(c) United Kingdom

In the UK segment, although rising mortgage interest rates and soaring energy and other living costs were pushing down housing demand, non-residential construction work, such as urban infrastructure works and construction investment, remained strong. Although sales of excavators of 3 tons or less decreased due to inventory adjustments at dealers, net sales increased by 24.4% year on year to 7,488 million yen and segment profit increased by 65.1% year on year to 842 million yen due to a higher total sales volume in the UK than that of the same period of the previous fiscal year, as well as the impact of product price increases and 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 48.3% year on year to 4,867 million yen and segment profit increased by 119.7% to 520 million yen, due to a higher sales volume of

compact excavators than that of 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 59.5% year on year to 35 million yen. Segment profit was 26 million yen (segment loss of 13 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

(a) Assets, liabilities, and net assets

(Assets)

Total assets at the end of the second quarter of the fiscal year increased by 16,965 million yen compared to the end of the previous fiscal year to 175,750 million yen. This was mainly due to an increase of 9,956 million yen in notes and accounts receivable-trade due to increased sales, an increase of 2,846 million yen in inventories caused by the production increase, and an increase of 4,484 million yen in property, plant and equipment due to the acquisition of a factory in Aoki, despite a decrease of 1,798 million yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the second quarter of the current consolidated fiscal year increased by 3,420 million yen compared to the end of the previous consolidated fiscal year to 40,404 million yen. This was mainly due to increases in accounts payable - trade of 1,894 million yen and income taxes payable of 1,647 million yen.

(Net assets)

Total net assets at the end of the second quarter of the current consolidated fiscal year increased by 13,544 million yen compared to the end of the previous consolidated fiscal year to 135,346 million yen. This was mainly due to the increase in retained earnings because of an increase in profit attributable to owners of parent of 12,670 million yen notwithstanding a decrease of 4,679 million yen for dividend payments, and the increase in foreign currency translation adjustments of 5,525 million yen.

(b) Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the first half of the current consolidated fiscal year decreased by 1,798 million yen to 41,721 million yen.

The following is a summary of cash flows

(Cash-flow from operating activities)

Cash provided by operating activities was 7,327 million yen (2,581 million yen used in the same period last year). This was mainly due to income before income taxes of 17,072 million yen, despite expenditures such as an increase in notes and accounts receivable of 7,602 million yen and income taxes paid of 3,067 million yen.

(Cash-flow from investing activities)

Cash used in investing activities decreased by 893 million yen year on year to 4,683 million yen. This was mainly due to payments for the purchase of property, plant and equipment of 4,583 million yen and for purchase of intangible assets of 198 million yen.

(Cash-flow from financing activities)

Cash used in financing activities increased by 1,403 million yen year on year to 4,693 million yen. This was mainly due to a dividend payment of 4,677 million yen.

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

The full-year consolidated earnings forecast for the fiscal year ending February 2024 has been revised from the forecast announced on April 11, 2023. For details, please refer to "Notice Regarding Revisions of Earnings Forecast and Dividend Forecast" announced today (October 12, 2023). This forecast is based on assumed exchange rates of 137 yen to the US dollar, 174 yen to the British pound, 149 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 August 31, 2023
Assets		
Current assets		
Cash and deposits	43,995	42,197
Notes and accounts receivable - trade	35,739	45,696
Merchandise and finished goods	22,013	22,791
Work in process	15,346	14,275
Raw materials and supplies	10,363	13,502
Other	4,138	5,325
Allowance for doubtful accounts	(1,137)	(1,193)
Total current assets	<u>130,459</u>	<u>142,595</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,592	18,049
Machinery, equipment and vehicles, net	2,491	3,664
Land	3,553	3,939
Other, net	7,082	1,552
Total property, plant and equipment	<u>22,721</u>	<u>27,205</u>
Intangible assets	759	840
Investments and other assets		
Deferred tax assets	2,882	3,425
Other	1,985	1,706
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	<u>4,846</u>	<u>5,109</u>
Total non-current assets	<u>28,326</u>	<u>33,155</u>
Total assets	<u>158,785</u>	<u>175,750</u>

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	26,755	28,650
Income taxes payable	1,869	3,517
Provision for bonuses	639	856
Provision for product warranties	2,058	2,497
Other	5,053	4,238
Total current liabilities	36,376	39,759
Non-current liabilities		
Provision for share awards for directors (and other officers)	94	103
Retirement benefit liability	72	91
Other	439	449
Total non-current liabilities	606	644
Total liabilities	36,983	40,404
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	109,177	117,169
Treasury shares	(2,032)	(2,032)
Total shareholders' equity	114,409	122,400
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16	41
Foreign currency translation adjustment	7,387	12,912
Remeasurements of defined benefit plans	(11)	(8)
Total accumulated other comprehensive income	7,392	12,946
Total net assets	121,802	135,346
Total liabilities and net assets	158,785	175,750

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six months)

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	86,033	105,176
Cost of sales	66,077	79,641
Gross profit	19,955	25,534
Selling, general and administrative expenses		
Transportation costs	6,771	3,674
Provision for product warranties	690	882
Provision of allowance for doubtful accounts	(0)	(0)
Remuneration for directors (and other officers)	160	180
Salaries and allowances	1,117	1,374
Provision for bonuses	139	204
Retirement benefit expenses	26	33
Provision for share awards for directors (and other officers)	17	8
Other	1,705	2,206
Total selling, general and administrative expenses	10,627	8,565
Operating profit	9,328	16,969
Non-operating income		
Interest income	18	215
Foreign exchange gains	1,194	—
Other	42	47
Total non-operating income	1,255	262
Non-operating expenses		
Loss on retirement of non-current assets	230	1
Foreign exchange losses	—	157
Other	14	0
Total non-operating expenses	244	159
Ordinary profit	10,339	17,072
Profit before income taxes	10,339	17,072
Income taxes - current	3,115	4,968
Income taxes - deferred	(439)	(565)
Total income taxes	2,676	4,402
Profit	7,663	12,670
Profit attributable to owners of parent	7,663	12,670

(Quarterly Consolidated Statements of Comprehensive Income)
(For the six months)

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Profit	7,663	12,670
Other comprehensive income		
Valuation difference on available-for-sale securities	3	24
Foreign currency translation adjustment	6,741	5,525
Remeasurements of defined benefit plans, net of tax	(1)	3
Total other comprehensive income	6,742	5,553
Comprehensive income	14,405	18,223
Comprehensive income attributable to owners of parent	14,405	18,223
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	10,339	17,072
Depreciation	780	1,285
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	117	211
Increase (decrease) in provision for product warranties	189	325
Decrease (increase) in retirement benefit asset	5	18
Increase (decrease) in provision for share awards for directors (and other officers)	17	8
Interest and dividend income	(20)	(217)
Foreign exchange losses (gains)	912	1,144
Loss (gain) on sale of non-current assets	(1)	(0)
Loss on retirement of non-current assets	230	1
Decrease (increase) in trade receivables	(8,632)	(7,602)
Decrease (increase) in inventories	(606)	61
Increase (decrease) in trade payables	(2,826)	180
Decrease (increase) in other assets	(354)	(1,264)
Increase (decrease) in other liabilities	1,139	(1,045)
Other, net	(0)	(1)
Subtotal	1,291	10,177
Interest and dividends received	20	217
Income taxes paid	(3,893)	(3,067)
Net cash provided by (used in) operating activities	(2,581)	7,327
Cash flows from investing activities		
Decrease (increase) in time deposits	(300)	—
Proceeds from redemption of securities	—	100
Purchase of property, plant and equipment	(5,133)	(4,583)
Proceeds from sale of property, plant and equipment	1	0
Purchase of intangible assets	(144)	(198)
Other, net	(0)	(2)
Net cash provided by (used in) investing activities	(5,577)	(4,683)
Cash flows from financing activities		
Purchase of treasury shares	(47)	(0)
Dividends paid	(3,233)	(4,677)
Repayments of lease liabilities	(10)	(15)
Net cash provided by (used in) financing activities	(3,290)	(4,693)
Effect of exchange rate change on cash and cash equivalents	1,859	251
Net increase (decrease) in cash and cash equivalents	(9,590)	(1,798)
Cash and cash equivalents at beginning of period	46,648	43,519
Cash and cash equivalents at end of period	37,057	41,721

(4) Notes to Quarterly Consolidated Financial Statement

(Notes to Going Concern Assumptions)

None

(Significant Change in Shareholders' Equity)

None

(Segment Information, Other)

[Segment information]

I. For the six months ended August 2022 (March 1, 2022 – August 31, 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	29,448	47,192	6,022	3,282	87	86,033	—	86,033
Net sales (of which to outside customers)	29,448	47,192	6,022	3,282	87	86,033	—	86,033
(of which inter- segment)	44,889	0	6	2	1,421	46,321	(46,321)	—
Total	74,337	47,193	6,028	3,285	1,508	132,354	(46,321)	86,033
Segment profit/loss	5,739	4,980	510	236	(13)	11,454	(2,126)	9,328

Notes: 1. Adjustment in segment profit and loss of -2,126 million yen includes -1,310 million yen for elimination of inter-segment trade and -815 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 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.

II. For the six months ended August 2023 (March 1, 2023 – August 31, 2023)

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	36,166	56,618	7,488	4,867	35	105,176	—	105,176
Net sales (of which to outside customers)	36,166	56,618	7,488	4,867	35	105,176	—	105,176
(of which inter- segment)	51,558	1	6	4	1,685	53,256	(53,256)	—
Total	87,724	56,619	7,495	4,872	1,720	158,433	(53,256)	105,176
Segment profit	12,458	5,167	842	520	26	19,014	(2,045)	16,969

Notes: 1. Adjustment in segment profit of -2,045 million yen includes -996 million yen for elimination of inter-segment trade and -1,049 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.

(Subsequent Events)

None