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October 10, 2024

Summary of Consolidated Financial Results For the Six Months Ended August 31, 2024 [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 semiannual securities report (tentative):	October 11, 2024
Date of commencement of dividend payment (tentative):	-
Supplementary explanatory documents for financial results:	Yes
Financial results briefing:	Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the six months ended August 2024 (March 1, 2024 – August 31, 2024)

(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, 2024	109,606	4.2	24,867	46.5	23,187	35.8	16,854	33.0
Six months ended August 31, 2023	105,176	22.3	16,969	81.9	17,072	65.1	12,670	65.3

(Note) Comprehensive income: For the six months ended August 31, 2024: 25,925 million yen [42.3%],
For the six months ended August 31, 2023: 18,223 million yen [26.5%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
Six months ended August 31, 2024	353.58		-	
Six months ended August 31, 2023	265.81		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2024	207,350		166,007		80.1	
As of February 29, 2024	198,153		147,625		74.5	

(Reference) Shareholders' equity

As of August 31, 2024: 166,007 million yen As of February 29, 2024: 147,625 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Full year
	Yen				
Fiscal year ended February 2024	-	0.00	-	158.00	158.00
Fiscal year ending February 2025	-	0.00	-	-	-
Fiscal year ending February 2025 (est.)	-	-	-	200.00	200.00

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

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

Ordinary dividends: 153.00 yen, Commemorative dividends for the 60th anniversary of founding: 5.00 yen

3. Forecast for the fiscal year ending February 2025 (Consolidated, March 1, 2024 to February 28, 2025)

(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	215,500	1.4	44,500	26.1	42,000	18.5	30,000	14.7	629.36

(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 semiannual 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, 2024: 48,999,000 As of February 29, 2024: 48,999,000

(b) Treasury shares

As of August 31, 2024: 1,331,669 As of February 29, 2024: 1,331,635

(c) Average number of shares

Period ended August 31, 2024: 47,667,339 Period ended August 31, 2023: 47,667,402

(Note): Treasury shares include shares held by the Board Incentive Plan Trust (77,640 shares as of February 29, 2024 and 77,640 shares as of August 31, 2024).

* 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 22, 2024. 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

The Group's third medium-term business plan (covering the fiscal year ended February 2023 to the fiscal year ending February 2025) focuses on the following key measures: (1) investment in human capital; (2) speed up product development; (3) production capacity expansion; (4) expand sales network and aftermarket parts sales; and (5) promote sustainable management. Following the factory in South Carolina, the US, which started production of track loaders by the semi-knockdown method in September 2022, we started production of mid-sized excavators (4 to 9 tons) at our Aoki factory in Aoki-mura, Chiisagata-gun, Nagano Prefecture from September 2023. We had achieved the production capacity targets set in the medium-term business plan by the end of August 2024, and combined with the existing home office factory, production capacity has been increased by approximately 1.5 times as high as the previous level.

In the first half of the current consolidated fiscal year (March 1, 2024 to August 31, 2024), the last year of our current medium-term business plan, sales volume for the Group in both Europe and the US was lower than the same period of the previous fiscal year due to a slowdown in demand for construction equipment in the market as a whole. In North America, sales of hydraulic excavators were strong, but sales of compact excavators and track loaders were slow, resulting in a slight year on year decline in sales volume. Regarding track loaders, the slow in sales was due to the impact of the partial postponement of sales to the third quarter because of problems with purchased parts, so demand for the product itself remained strong. The economic environment in Europe remained weak, and there was a decline in investment appetite not only in construction machinery but also in general. Demand for compact excavators and hydraulic excavators had been generally sluggish, although there were differences between countries. And sales volume was significantly lower than in the same period of the previous year. Orders received in the first half of the current consolidated fiscal year reached 97,311 million yen (up 11.5% year on year) due to the impact of orders from major rental companies in the US being pushed back from the previous period to the current period. The order backlog at the end of the first half of the current consolidated fiscal year decreased by 12,295 million yen compared to the end of the previous consolidated fiscal year to 116,602 million yen.

As a result of the above, sales volume for the first half of the current consolidated fiscal year was lower than the same period of the previous fiscal year, but due to the impact of the yen's depreciation and product price increases, etc., net sales were 109,606 million yen (up 4.2% year on year). On the profit front, operating profit was 24,867 million yen (up 46.5% year on year), and ordinary profit was 23,187 million yen (up 35.8% year on year), due to factors such as the impact of the yen's depreciation, product price increases, and changes in product and customer composition, etc., despite the impact of the increased cost of raw materials, depreciation and labor costs at the Aoki factory, which began operations in September 2023, etc. After income taxes of 6,333 million yen, profit attributable to owners of parent was 16,854 million yen (up 33.0% 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, demand for housing was weak due to the high interest rates on mortgages and the rising cost of living, including energy prices. And demand for non-residential construction work, such as construction investment, was also softening. As a result, sales volume to European distributors fell significantly year on year, and net sales were 33,163 million yen (down 8.3% year on year). Segment profit was 22,400 million yen (up 79.8% year on year), due to factors such as the impact of the yen's depreciation and product price increases.

(b) United States

In the US segment, the number of housing starts continued to be in an adjustment phase due to factors such as the high level of mortgage interest rates and housing prices. However, due to the chronic housing shortage resulting from population growth, there was strong pent-up demand for housing, and there were signs of a recovery due to expectations of a reduction in interest rates. In this environment, sales of hydraulic excavators were strong, but sales of compact excavators and track loaders were sluggish, and overall sales volumes were slightly down from the same period of the previous year. Regarding track loaders, production was delayed in the second quarter due to problems in purchased parts, and some sales were pushed back to the third quarter. However, product demand itself remained strong. Although sales volume decreased, net sales were 62,921 million yen (up 11.1% year on year) and segment profit was 6,975 million yen (up 35.0% year on year) due to factors such as product price increases and the impact of the yen's depreciation.

(c) United Kingdom

In the UK segment, the high interest rates on mortgages and the rising cost of living, including energy prices, were suppressing demand for housing, and demand for construction equipment had been slowing. In this environment, sales of compact excavators, which are mainly used in housing-related construction, had continued to be sluggish. Net sales were 7,346 million yen (down 1.9% year on year) and segment profit was 110 million yen (down 86.8% year on year) due to the fact that sales volumes were significantly lower than in the same period of the previous year, and price reductions implemented to promote sales.

(d) France

In the France segment, the high interest rates on mortgages and the rising cost of living, including energy prices, were suppressing demand for housing, and demand for construction equipment had been slowing. Despite this environment, sales volume for both compact excavators and hydraulic excavators was slightly higher than the same period of the previous year, with sales of 6,132 million yen (up 26.0% year on year), and segment profit of 533 million yen (up 2.5% year on year).

(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 increased by 18.9% year on year to 42 million yen. Segment profit increased by 621.4% to 192 million yen.

(2) Explanation of Financial Position

(a) Assets, liabilities, and net assets

(Assets)

Total assets at the end of the first half of the current consolidated fiscal year increased by 9,197 million yen compared to the end of the previous consolidated fiscal year to 207,350 million yen. This was mainly due to a 6,513 million yen increase in notes and accounts receivable - trade, an 18,045 million yen increase in inventories, and a 1,571 million yen increase in deferred tax assets, despite a 17,792 million yen decrease in cash and deposits. Of the inventories, merchandise and finished goods increased by 14,228 million yen to 44,048 million yen. This is mainly due to the impact of the yen's depreciation when converting the local currency denominated inventories held by the subsidiaries in the US, UK and France into yen, as well as the longer inventory periods required for logistics due to marine transportation that bypasses the Red Sea, and the accumulation of product inventories at the US sales subsidiary to promote sales.

(Liabilities)

Liabilities at the end of the first half of the current consolidated fiscal year decreased by 9,184 million yen compared to the end of the previous fiscal year to 41,342 million yen. This was mainly due to a 9,993 million yen decrease in accounts payable - trade.

(Net assets)

Net assets at the end of the first half of the current consolidated fiscal year increased by 18,381 million yen compared to the end of the previous consolidated fiscal year to 166,007 million yen. This was mainly due to the increase in retained earnings because of an increase in profit attributable to owners of parent of 16,854 million yen despite a decrease of 7,543 million yen for dividend payments, and the increase in foreign currency translation adjustments of 9,082 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 17,830 million yen to 36,851 million yen.

The status of each cash flow and their factors during the first half of the current consolidated fiscal year are as follows.

(Cash-flow from operating activities)

Cash used in operating activities was 10,266 million yen (7,327 million yen gain in the same period last year). This was mainly due to outflows such as an increase in inventories of 11,860 million yen, a decrease in trade payables of 13,759 million yen, and income taxes paid of 8,693 million yen, despite an inflow of 23,187 million yen in profit before income taxes.

(Cash-flow from investing activities)

Cash used in investing activities decreased by 3,604 million yen to 1,079 million yen. This was mainly due to the outflow of 1,302 million yen for the purchase of property, plant and equipment, etc.

(Cash-flow from financing activities)

Cash used in financing activities increased by 2,864 million yen year on year to 7,558 million yen. This was mainly due to the outflow of 7,537 million yen for dividend payment.

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

The full-year consolidated earnings forecast for the fiscal year ending February 2025 has been revised from the forecast announced on April 12, 2024. For details, please refer to "Notice Regarding Revision of Earnings Forecast" announced today (October 10, 2024). This forecast is based on assumed exchange rates of 138 yen to the US dollar, 179 yen to the British pound, 152 yen to the euro and 19.30 yen to the yuan.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	55,175	37,382
Notes and accounts receivable - trade	44,572	51,086
Merchandise and finished goods	29,820	44,048
Work in process	12,216	14,160
Raw materials and supplies	16,226	18,099
Other	5,101	5,089
Allowance for doubtful accounts	(1,192)	(1,318)
Total current assets	161,920	168,548
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,660	18,488
Machinery, equipment and vehicles, net	4,765	4,406
Land	3,940	4,331
Other, net	1,829	1,999
Total property, plant and equipment	28,196	29,226
Intangible assets	829	764
Investments and other assets		
Deferred tax assets	5,190	6,762
Other	2,037	2,069
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	7,206	8,810
Total non-current assets	36,233	38,801
Total assets	198,153	207,350

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	36,381	26,387
Income taxes payable	6,558	5,871
Provision for bonuses	675	885
Provision for product warranties	2,247	2,487
Other	4,009	5,015
Total current liabilities	49,872	40,647
Non-current liabilities		
Provision for share awards for directors (and other officers)	113	122
Retirement benefit liability	102	115
Other	439	457
Total non-current liabilities	655	695
Total liabilities	50,527	41,342
Net assets		
Shareholders' equity		
Share capital	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	130,648	139,958
Treasury shares	(2,032)	(2,033)
Total shareholders' equity	135,879	145,190
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	55
Foreign currency translation adjustment	11,604	20,686
Remeasurements of defined benefit plans	84	75
Total accumulated other comprehensive income	11,745	20,817
Total net assets	147,625	166,007
Total liabilities and net assets	198,153	207,350

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

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Net sales	105,176	109,606
Cost of sales	79,641	75,309
Gross profit	25,534	34,297
Selling, general and administrative expenses		
Transportation costs	3,674	3,703
Provision for product warranties	882	692
Provision of allowance for doubtful accounts	(0)	(0)
Remuneration for directors (and other officers)	180	205
Salaries and allowances	1,374	1,610
Provision for bonuses	204	200
Retirement benefit expenses	33	41
Provision for share awards for directors (and other officers)	8	8
Other	2,206	2,967
Total selling, general and administrative expenses	8,565	9,429
Operating profit	16,969	24,867
Non-operating income		
Interest income	215	310
Gain on valuation of derivatives	—	124
Other	47	82
Total non-operating income	262	517
Non-operating expenses		
Loss on retirement of non-current assets	1	35
Foreign exchange losses	157	2,158
Other	0	2
Total non-operating expenses	159	2,197
Ordinary profit	17,072	23,187
Profit before income taxes	17,072	23,187
Income taxes - current	4,968	7,781
Income taxes - deferred	(565)	(1,447)
Total income taxes	4,402	6,333
Profit	12,670	16,854
Profit attributable to owners of parent	12,670	16,854

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

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Profit	12,670	16,854
Other comprehensive income		
Valuation difference on available-for-sale securities	24	(2)
Foreign currency translation adjustment	5,525	9,082
Remeasurements of defined benefit plans, net of tax	3	(8)
Total other comprehensive income	5,553	9,071
Comprehensive income	18,223	25,925
Comprehensive income attributable to owners of parent	18,223	25,925
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	17,072	23,187
Depreciation	1,285	1,807
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	211	205
Increase (decrease) in provision for product warranties	325	53
Decrease (increase) in retirement benefit asset	18	10
Increase (decrease) in provision for share awards for directors (and other officers)	8	8
Interest and dividend income	(217)	(313)
Foreign exchange losses (gains)	1,144	1,138
Loss (gain) on sale of non-current assets	(0)	(8)
Loss on retirement of non-current assets	1	33
Decrease (increase) in trade receivables	(7,602)	(3,010)
Decrease (increase) in inventories	61	(11,860)
Increase (decrease) in trade payables	180	(13,759)
Decrease (increase) in other assets	(1,264)	(124)
Increase (decrease) in other liabilities	(1,045)	748
Other, net	(1)	(2)
Subtotal	10,177	(1,886)
Interest and dividends received	217	312
Income taxes paid	(3,067)	(8,693)
Net cash provided by (used in) operating activities	7,327	(10,266)
Cash flows from investing activities		
Decrease (increase) in time deposits	—	(38)
Proceeds from redemption of securities	100	300
Purchase of property, plant and equipment	(4,583)	(1,302)
Proceeds from sale of property, plant and equipment	0	8
Purchase of intangible assets	(198)	(39)
Other, net	(2)	(7)
Net cash provided by (used in) investing activities	(4,683)	(1,079)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Dividends paid	(4,677)	(7,537)
Repayments of lease liabilities	(15)	(20)
Net cash provided by (used in) financing activities	(4,693)	(7,558)
Effect of exchange rate change on cash and cash equivalents	251	1,073
Net increase (decrease) in cash and cash equivalents	(1,798)	(17,830)
Cash and cash equivalents at beginning of period	43,519	54,682
Cash and cash equivalents at end of period	41,721	36,851

(4) Notes to 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 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	US	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 are adjusted for operating profit in the 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 2024 (March 1, 2024 – August 31, 2024)

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 consolidated statements of income (Note 2)
	Japan	US	UK	France	China			
Net sales Revenue from contracts with customers	33,163	62,921	7,346	6,132	42	109,606	—	109,606
Net sales (of which to outside customers)	33,163	62,921	7,346	6,132	42	109,606	—	109,606
(of which inter- segment)	74,380	7	15	3	2,578	76,985	(76,985)	—
Total	107,543	62,929	7,362	6,135	2,620	186,592	(76,985)	109,606
Segment profit	22,400	6,975	110	533	192	30,212	(5,344)	24,867

Notes: 1. Adjustment in segment profit of -5,344 million yen includes -3,955 million yen for elimination of inter-segment trade and -1,388 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 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.

(Significant subsequent events)

(Share repurchase)

We hereby announce that, at a meeting of the Board of Directors held on October 10, 2024, we resolved the acquisition of our own shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph 3 of the same Act.

1. Reasons for acquisition of own shares

Under the current shareholder return policy, we will repurchase our own shares in order to further return profits to shareholders, taking into consideration the stock price level, capital efficiency, and other factors.

2. Details of Repurchases

(1)	Class of shares to be repurchased	Common shares
(2)	Total number of shares to be repurchased	Up to 2,000,000 shares (4.2% of total number of issued shares (excluding treasury shares))
(3)	Total amount of share repurchase costs	Up to 7 billion yen
(4)	Period of repurchases	October 11, 2024 to January 31, 2025
(5)	Method of repurchases	Market purchases on the Tokyo Stock Exchange