

Summary of Consolidated Financial Results For the First Half Ended August 31, 2016 [Japan GAAP]

Name of Company:	Takeuchi Mfg. Co., Ltd.
Stock Code:	6432
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	http://www.takeuchi-mfg.co.jp/
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Date of quarterly securities report (tentative):	October 14, 2016
Date of commencement of dividend payment (tentative):	-
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending February 2017 (March 1, 2016 – August 31, 2016)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended August 2016	46,625	(0.5)	9,765	3.6	8,357	(14.2)	5,460	(11.5)
First half ended August 2015	46,866	24.2	9,428	55.7	9,745	63.4	6,172	69.6

Note: Comprehensive income: First half of FY2/2017: 3,437 million yen (-45.6 %), First half of FY2/2016: 6,316 million yen (+96.6 %)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended August 2016	113.65	-
First half ended August 2015	125.98	-

Note: There was a 3-for-1 stock split on September 1, 2015. Earnings per share is presented as if this split had taken place at the beginning of the previous fiscal year.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2016	76,863	55,428	72.1
As of February 29, 2016	77,216	55,043	71.3

Notes: Shareholders' equity

As of August 31, 2016: 55,428 million yen As of February 29, 2016: 55,043 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 2016	-	0.00	-	22.00	22.00
Fiscal year ending February 2017	-	0.00	-	-	-
Fiscal year ending February 2017 (est.)	-	-	-	26.00	26.00

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

3. Forecast for the fiscal year ending February 2017 (Consolidated, March 1, 2016 to February 28, 2017)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	80,500	(5.5)	13,000	(19.9)	11,600	(24.1)	7,700	(20.7)	160.86

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) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles and estimates, and retrospective restatement
 - (a) Changes due to revision of accounting standards: Yes
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatement: None

Note: Please see 2. Other information (3) Changes in accounting principles and estimates, and retrospective restatement on page 3

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of August 31, 2016: 48,999,000 As of February 29, 2016: 48,999,000

(b) Treasury shares

As of August 31, 2016: 1,311,158 As of February 29, 2016: 3,858

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

Period ended August 31, 2016: 48,046,257 Period ended August 31, 2015: 48,995,373

Note: There was a 3-for-1 stock split on September 1, 2015. Number of shares outstanding (common stock) is presented as if this split had taken place at the beginning of the previous fiscal year.

* Description of quarterly review procedure implementation status

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results.

It has been completed the quarterly review procedure process based upon the Financial Instruments and Exchange Act at the time of disclosure of this report.

* Cautionary statement regarding forecasts of operating results and special notes

- (1) 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.
- (2) Change in monetary unit
In previous earnings announcements, figures denominated in yen have been shown in units of thousands. Starting with the first quarter of the current fiscal year, these figures are instead shown in units of millions. To facilitate comparisons, figures for the first half of the previous fiscal year and the entire fiscal year have been revised to units of millions.

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1. Results of Operations

(1) Overview on consolidated business performance

In the first half of the current fiscal year, there was economic growth in both the United States and Europe, which are the major markets for the Takeuchi Group. The U.S. economy expanded at a moderate pace as a recovery in the labor market fueled higher consumer spending and a slow rebound in housing investments. In Europe, the U.K. economy posted solid growth backed by robust consumer spending as the country avoided a steep economic downturn following the decision to leave the European Union. There were areas strength and weakness in Eurozone countries, but the Europe (ex. UK) economy continued to recover slowly as a gradual improvement in jobs supported an upturn in consumer spending.

Due to heightened sales activities in the United States and Europe along with growth in demand, the Takeuchi Group recorded an increase in the first half sales volume of compact excavators, hydraulic excavators and track loaders compared with one year earlier. However, there was almost no change in monetary sales because of the stronger yen. As a result, first half sales decreased 0.5% to 46,625 million yen.

Although the yen's strength reduced yen conversions of foreign currency-denominated sales, operating income increased 3.6% to 9,765 million yen. Operating income benefited mainly from growth in sales volume and the recognition of unrealized earnings were the main reasons. Due in part to a foreign exchange loss of 1,469 million yen, ordinary income was down 14.2% to 8,357 million. After taxes of 2,901 million yen and other items, profit attributable to owners of parent decreased 11.5% to 5,460 million yen.

Geographic segment performance was as follows.

(a) Japan

Sales increased 0.3% to 15,745 million yen because of growth in the number of compact excavators and hydraulic excavators for sale in Europe. Segment income fell 26.6% to 6,248 million yen. Although sales to sales subsidiaries increased, there was a negative impact on earnings from lower yen conversions of foreign currency-denominated sales as the yen appreciated.

(b) United States

Sales increased 0.6% to 23,606 million yen as growth in the sales volume of compact excavators and track loaders was offset by lower yen conversions of U.S. dollar-denominated sales due to the yen's appreciation. Segment income increased 23.5% to 1,546 million yen.

(c) United Kingdom

Sales decreased 15.8% to 4,909 million yen. There was almost no change in the sales volume of compact excavators and hydraulic excavators but yen translations of British pound-denominated sales were lower because of the stronger yen. Segment income was down 39.3% to 192 million yen.

(d) France

Sales were up 50.8% to 1,989 million yen because of an increase in the sales volume of compact excavators and hydraulic excavators. Segment income was up 688.1% to 123 million yen.

(e) China

Sales decreased 32.0% to 374 million yen because of a decline in the sales volume of compact excavators caused mainly by slower economic growth. Segment income was 61 million yen compared with a segment loss of 406 million yen one year earlier.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets were 76,863 million yen at the end of the first half, down 353 million yen from the end of the previous fiscal year. The main reasons were a 5,508 million yen increase in notes and accounts receivable-trade, a decrease of 801 million yen in cash and deposits resulting from tax payments and stock repurchases, and a 3,674 million yen decrease in inventories.

Liabilities decreased 738 million yen to 21,434 million yen. This was attributable mainly to a decrease of 500 million yen in notes and accounts payable-trade.

Net assets increased 384 million yen to 55,428 million yen. Retained earnings increased 5,460 million yen mainly because of profit attributable to owners of parent. But there was a decrease of 1,077 million yen due to dividend payments and 1,995 million yen decrease in foreign currency translation adjustments. In addition, the repurchase of stock raised treasury shares, which are deducted from net assets, by 1,975 million yen.

(b) Cash flows

Cash and cash equivalents were 19,195 million yen at the end of the first half, down 807 million yen from the end of the previous fiscal year. The following is a summary of first half cash flows.

(Operating activities)

Net cash provided by operating activities was 2,857 million yen compared with a negative cash flow of 107 million yen one year earlier. Major uses of cash were a 7,778 million yen increase in notes and accounts receivable-trade and income taxes paid of 1,941 million yen. Major sources of cash were profit before income taxes of 8,362 million yen and a 3,461 million yen increase in notes and accounts payable-trade.

(Investing activities)

Cash used in investing activities was 965 million yen, down 339 million yen from one year earlier. Cash was used mainly for the purchase of property, plant and equipment, which was 808 million yen.

(Financing activities)

Cash used in financing activities increased 2,605 million yen to 3,053 million yen. The main uses of cash were 1,975 million yen for the purchase of treasury shares and 1,071 million yen for cash dividends.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on September 28, 2016 for consolidated results of operations in the fiscal year ending in February 2017. For more information, please see the September 28 news release concerning revisions to the first half and fiscal year forecasts.

These forecasts are based on exchange rates of 100 yen to the US dollar, 133 yen to the British pound, 113 yen to the euro and 15 yen to the yuan during the second half of the fiscal year.

2. Other Information

(1) Changes in significant subsidiaries:

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:

Changes in accounting principle

(Application of accounting standard for business combinations, etc.)

Beginning with the current fiscal year, the Company is using Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). There are revisions to the presentation of net income and other items. To reflect these changes in the presentation of the financial statements, the first half consolidated financial statements for the previous fiscal year have been revised.

(Application of practical solution on a change in depreciation method due to tax reform 2016)

In association with amendments to Japan's Corporate Income Tax Act, the Company is applying Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ PITF No. 32, June 17, 2016) beginning with the first quarter of the fiscal year ending in February 2017. As a result, the depreciation method for facilities attached to buildings acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

These changes had negligible effect on the financial statements for the first half of the current fiscal year.

(4) Supplementary information

(Compensation linked to results of operations)

The Takeuchi board of directors approved a resolution on April 8, 2016 to establish a compensation system for directors (except outside directors and directors who are members of the Audit and Supervisory Committee, same hereafter in this section) that is linked to results of operations. A resolution to establish this system was

subsequently approved by shareholders at the annual meeting held on May 27, 2016. The purpose is to increase the directors' commitment to the medium to long-term growth of Takeuchi's corporate value and earnings by more clearly linking their compensation with the company's stock price.

1) Summary

This compensation system uses a trust called the Board Incentive Plan (BIP) Trust, which is based on the Performance Share system and Restricted Stock compensation system in the U.S. When a director's term of office ends, the individual receives an amount of Takeuchi stock and a payment resulting from the conversion of stock to cash that are based on the degree to which a consolidated operating margin was reached and the individual's executive position at Takeuchi.

2) Takeuchi stock in the BIP Trust

Takeuchi stock in the BIP Trust is included in treasury shares, which is part of net assets, at the book value of the stock (excluding associated expenses). On August 31, 2016, treasury shares included 57,300 shares held by the BIP Trust with a book value of 80 million yen.

3. Material Events Related to Going Concern Assumptions

None

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended February 2016 (As of February 29, 2016)	First half ended August 2016 (As of August 31, 2016)
ASSETS		
Current assets		
Cash and deposits	20,580	19,778
Notes and accounts receivable-trade	21,281	26,790
Merchandise and finished goods	15,975	12,766
Work in process	1,346	1,229
Raw materials and supplies	3,051	2,702
Deferred tax assets	2,694	1,836
Other	2,812	2,460
Allowance for doubtful accounts	(1,731)	(1,406)
Total current assets	66,010	66,158
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,208	5,133
Machinery, equipment and vehicles, net	1,426	1,280
Land	2,178	2,023
Other, net	924	789
Total property, plant and equipment	9,737	9,226
Intangible assets	812	750
Investments and other assets		
Other	679	751
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	655	727
Total noncurrent assets	11,205	10,704
Total assets	77,216	76,863

(Million yen)

	Fiscal year ended February 2016 (As of February 29, 2016)	First half ended August 2016 (As of August 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	16,366	15,865
Income taxes payable	1,586	1,616
Provision for bonuses	173	224
Provision for product warranties	1,058	1,037
Other	1,602	1,335
Total current liabilities	20,787	20,079
Noncurrent liabilities		
Provision for directors' retirement benefits	267	-
Provision for directors' stock benefits	-	8
Provision for loss on guarantees	119	122
Other	997	1,223
Total noncurrent liabilities	1,384	1,354
Total liabilities	22,172	21,434
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	46,647	51,029
Treasury shares	(3)	(1,978)
Total shareholders' equity	53,907	56,315
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	10
Foreign currency translation adjustment	931	(1,064)
Remeasurements of defined benefit plans	194	166
Total accumulated other comprehensive income	1,136	(886)
Total net assets	55,043	55,428
Total liabilities and net assets	77,216	76,863

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 For the first half (March 1, 2016 – August 31, 2016)

(Million yen)

	First half ended August 2015 (March 1, 2015 – August 31, 2015)	First half ended August 2016 (March 1, 2016 – August 31, 2016)
Net sales	46,866	46,625
Cost of sales	33,298	33,224
Gross profit	13,568	13,401
Selling, general and administrative expenses		
Haulage expenses	1,365	1,100
Provision for product warranties	323	374
Provision of allowance for doubtful accounts	180	(29)
Provision for loss on guarantees	67	-
Directors' compensations	116	117
Salaries and allowances	734	737
Provision for bonuses	39	63
Retirement benefit expenses	5	7
Provision for directors' retirement benefits	6	3
Provision for directors' stock benefits	-	8
Other	1,301	1,252
Total selling, general and administrative expenses	4,139	3,635
Operating income	9,428	9,765
Non-operating income		
Interest income	22	11
Dividends income	2	30
Foreign exchange gains	238	-
Insurance premiums refunded cancellation	-	26
Other	60	24
Total non-operating income	324	92
Non-operating expenses		
Interest expenses	2	3
Foreign exchange losses	-	1,469
Other	4	28
Total non-operating expenses	7	1,500
Ordinary income	9,745	8,357
Extraordinary income		
Gain on sales of investment securities	0	5
Total extraordinary income	0	5
Profit before income taxes	9,745	8,362
Income taxes - current	3,490	2,218
Income taxes - deferred	83	683
Total income taxes	3,573	2,901
Profit	6,172	5,460
Profit attributable to owners of parent	6,172	5,460

(Quarterly consolidated statements of comprehensive income)
For the first half (March 1, 2016 – August 31, 2016)

(Million yen)

	First half ended August 2015 (March 1, 2015 – August 31, 2015)	First half ended August 2016 (March 1, 2016 – August 31, 2016)
Profit	6,172	5,460
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	0
Foreign currency translation adjustment	171	(1,995)
Remeasurements of defined benefit plans, net of tax	(22)	(27)
Total other comprehensive income	144	(2,022)
Comprehensive income	6,316	3,437
Comprehensive income attributable to owners of parent	6,316	3,437
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended August 2015 (March 1, 2015 – August 31, 2015)	First half ended August 2016 (March 1, 2016 – August 31, 2016)
Cash flows from operating activities		
Profit before income taxes	9,745	8,362
Depreciation	475	665
Increase (decrease) in allowance for doubtful accounts	180	(56)
Increase (decrease) in provision for bonuses	18	52
Increase (decrease) in provision for product warranties	35	80
Increase (decrease) in net defined benefit asset	(61)	(18)
Increase (decrease) in provision for directors' retirement benefits	6	(267)
Increase (decrease) in provision for directors' stock benefit	-	8
Increase (decrease) in provision for loss on guarantees	67	26
Interest and dividend income	(24)	(42)
Interest expenses	2	3
Foreign exchange losses (gains)	835	(983)
Loss (gain) on valuation of investment securities	(0)	-
Loss (gain) on sales of investment securities	(0)	(5)
Loss (gain) on sales of non-current assets	0	(1)
Loss on retirement of non-current assets	4	17
Decrease (increase) in notes and accounts receivable - trade	(10,847)	(7,778)
Decrease (increase) in inventories	1,980	906
Increase (decrease) in notes and accounts payable - trade	2,346	3,461
Decrease (increase) in other assets	44	1
Increase (decrease) in other liabilities	(510)	333
Other	(2)	(6)
Subtotal	4,295	4,758
Interest and dividend income received	24	42
Interest expenses paid	(2)	(2)
Income taxes paid	(4,425)	(1,941)
Cash flows from operating activities	(107)	2,857
Cash flows from investing activities		
Decrease (increase) in time deposits	(5)	(5)
Purchase of property, plant and equipment	(1,039)	(808)
Proceeds from sales of property, plant and equipment	0	2
Purchase of intangible assets	(282)	(88)
Purchase of investment securities	-	(100)
Proceeds from sales of investment securities	20	9
Payments of loans receivable	(0)	(0)
Collection of loans receivable	0	0
Other	0	25
Cash flows from investing activities	(1,305)	(965)
Cash flows from financing activities		
Purchase of treasury shares	-	(1,975)
Cash dividends paid	(439)	(1,071)
Repayments of lease obligations	(7)	(6)
Cash flows from financing activities	(447)	(3,053)
Effect of exchange rate change on cash and cash equivalents	(807)	355
Net increase (decrease) in cash and cash equivalents	(2,668)	(807)
Cash and cash equivalents at beginning of period	13,231	20,002
Cash and cash equivalents at end of period	10,562	19,195

(4) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

The Board of Directors approved a resolution on April 8, 2016 to repurchase 1,250,000 shares of stock. The repurchase of this stock resulted in a 1,894 million yen increase in treasury shares during the first quarter. The repurchase of stock in accordance with the April 8, 2016 resolution was completed on April 18.

In addition, there was an 80 million yen increase in treasury shares resulting from the purchase of Takeuchi stock by the Board Incentive Plan Trust following the establishment of this trust.

As a result, treasury shares totaled 1,978 million yen on August 31, 2016.

(Segment information)

I. For the first half ended August 2015 (March 1, 2015 – August 31, 2015)

Information about sales and income (loss) by reporting segments

	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)	15,695	23,466	5,833	1,319	550	46,866	-	46,866
(of which inter- segment)	23,856	0	29	18	566	24,470	(24,470)	-
Total	39,551	23,467	5,863	1,338	1,117	71,337	(24,470)	46,866
Segment income (loss)	8,517	1,252	317	15	(406)	9,695	(266)	9,428

- Notes:
1. Adjustment in segment income (loss) of -266 million yen includes 258 million yen for elimination of inter-segment trade and -525 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 income (loss) is adjusted for operating income on the quarterly consolidated statements of income.

II. For the first half ended August 2016 (March 1, 2016 – August 31, 2016)

Information about sales and income (loss) by reporting segments

	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)	15,745	23,606	4,909	1,989	374	46,625	-	46,625
(of which inter- segment)	24,011	0	47	7	544	24,611	(24,611)	-
Total	39,757	23,607	4,957	1,996	919	71,237	(24,611)	46,625
Segment income (loss)	6,248	1,546	192	123	61	8,172	1,592	9,765

- Notes:
1. Adjustment in segment income of 1,592 million yen includes 2,160 million yen for elimination of inter-segment trade and -567 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 income is adjusted for operating income on the quarterly consolidated statements of income.

(Subsequent events)

None