

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 2017 [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/>
 Representative Title: President & Representative Director
 Name: Akio Takeuchi
 Contact Person Title: Manager of Business Management Department
 Name: Osamu Kobayashi
 Phone: +81-(0)268-81-1200
 Date of quarterly securities report (tentative): July 14, 2017
 Date of commencement of dividend payment (tentative): -
 Quarterly earnings supplementary explanatory documents: No
 Quarterly earnings presentation: No

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending February 2018 (March 1, 2017 – May 31, 2017)

(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 quarter ended May 31 2017 | 23,232 | 8.9 | 4,213 | (13.1) | 4,206 | (5.1) | 2,811 | (1.5) |
| First quarter ended May 31 2016 | 21,330 | (0.7) | 4,849 | 6.5 | 4,432 | (10.0) | 2,854 | (8.0) |

Note: Comprehensive income: 1Q FY2/2018: 2,086 million yen (4.5%), 1Q FY2/2017: 1,996 million yen (-30.6%)

| | Earnings per share | | Earnings per share fully diluted | |
|---------------------------------|--------------------|--|----------------------------------|--|
| | Yen | | Yen | |
| First quarter ended May 31 2017 | 58.96 | | - | |
| First quarter ended May 31 2016 | 59.01 | | - | |

(2) Financial Position (Consolidated)

| | Total assets | | Net assets | | Equity ratio | |
|-------------------------|--------------|--|-------------|--|--------------|--|
| | Million yen | | Million yen | | % | |
| As of May 31, 2017 | 84,320 | | 60,926 | | 72.3 | |
| As of February 28, 2017 | 83,085 | | 60,080 | | 72.3 | |

(Reference) Shareholders' equity

As of May 31, 2017: 60,926 million yen As of February 28, 2017 60,080 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 2017 | - | 0.00 | - | 26.00 | 26.00 |
| Fiscal year ending February 2018 | - | | | | |
| Fiscal year ending February 2018 (est.) | | 0.00 | - | 29.00 | 29.00 |

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

3. Forecast for the fiscal year ending February 2018 (Consolidated, March 1, 2017 to February 28, 2018)

(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 | 49,700 | 6.6 | 7,900 | (19.1) | 7,700 | (7.9) | 5,300 | (2.9) | 111.14 |
| Full year | 85,700 | 3.3 | 11,700 | (12.7) | 11,500 | (1.9) | 7,900 | 1.8 | 165.66 |

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: None

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

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of May 31, 2017: 48,999,000 As of February 28, 2017: 48,999,000

(b) Treasury shares

As of May 31, 2017: 1,310,668 As of February 28, 2017: 1,311,158

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

Period ended May 31, 2017: 47,687,879 Period ended May 31, 2016: 48,373,530

* This report is exempt from the quarterly audit review.

* Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "(3) Forecast for the current fiscal year" on page 3.

Index for Supplementary Information

| | |
|---|---|
| 1. Results of Operations..... | 2 |
| (1) Overview on consolidated business performance | 2 |
| (2) Overview of financial condition | 2 |
| (3) Forecast for the current fiscal year..... | 3 |
| 2. Quarterly Consolidated Financial Statements and Important Notes | 4 |
| (1) Quarterly consolidated balance sheet..... | 4 |
| (2) Quarterly consolidated statements of income and consolidated statements of comprehensive income | 6 |
| (Quarterly consolidated statements of income)..... | 6 |
| (Quarterly consolidated statements of comprehensive income)..... | 7 |
| (3) Notes to quarterly consolidated financial statement | 8 |
| (Notes to going concern assumptions)..... | 8 |
| (Significant change in shareholders' equity)..... | 8 |
| (Segment information)..... | 8 |
| (Subsequent events)..... | 9 |

1. Results of Operations

(1) Overview on consolidated business performance

The United States and Europe are the two primary markets for the Takeuchi Group. During the first quarter, the U.S. economy continued to expand at a moderate pace as the recovery in the labor market supported solid growth in consumer spending. An increasingly pronounced rebound in capital expenditures is also contributing to economic growth. In Britain, economic growth is slowing as consumer spending weakens amid concerns about negotiations for leaving the EU. In other areas of Europe, the economy grew slowly as an improvement in unemployment contributed to firm consumer spending. There was also a recovery in exports.

The Takeuchi Group's first quarter sales volume of compact excavators and track loaders was higher than one year earlier. Expansion of the U.S. and European sales networks and rising demand for Takeuchi products in these regions were the main reasons for the sales growth.

First quarter sales were 23,232 million yen, 8.9% higher than one year earlier.

Although the sales volume increased, the reduction in yen conversions of overseas sales caused by the yen's strength had a negative impact on earnings. Operating profit decreased 13.1% to 4,213 million yen and, due to a smaller foreign exchange loss, ordinary profit was down 5.1% to 4,206 million yen. After taxes of 1,394 million yen and other items, profit attributable to owners of parent decreased 1.5% to 2,811 million yen.

Geographic segment performance was as follows.

(a) Japan

Sales increased 13.5% to 8,657 million yen because of growth in the number of compact excavators and for sale in Europe. Segment income was down 20.5% to 2,689 million yen. The main causes were a decline in sales to sales subsidiaries and the negative impact of the stronger yen on conversions of foreign currency-denominated sales.

(b) United States

Sales increased 4.8% to 10,357 million yen because of growth in the sales volume of compact excavators and track loaders. Segment income was down 32.8% to 464 million yen because of an increase in the purchase prices of products supplied from Japan.

(c) United Kingdom

Sales increased 9.3% to 2,989 million yen as growth in the sales volume of compact excavators more than offset the negative effect of the stronger yen on conversions of British pound-denominated sales. Segment income was up 55.7% to 158 million yen.

(d) France

Sales increased 43.9% to 1,221 million yen. The yen's appreciation reduced yen conversions of euro-denominated sales, but sales volumes of compact excavators and hydraulic excavators were higher. Segment income was up 104.5% to 91 million yen.

(e) China

Sales fell 97.1% to 7 million yen because of downturns in the sales volumes of hydraulic excavators. Segment income was up 487.0% to 108 million yen because of an increase in exports to Japan of Chinese-made parts and a reversal of the allowance for doubtful accounts.

(2) Overview of financial condition

Assets were 84,320 million yen at the end of the first quarter, 1,235 million yen more than at the end of the previous fiscal year. The primary changes were decreases of 1,411 million yen in cash and deposits and 1,415 million yen in inventories and an increase of 4,103 million yen in notes and accounts receivable-trade.

Liabilities increased 389 million yen to 23,394 million yen. This was mainly the net result of a 375 million yen decrease in income taxes payable and a 862 million yen increase in notes and accounts payable-trade.

Net assets increased 846 million yen to 60,926 million yen. Retained earnings increased 2,811 million yen mainly because of profit attributable to owners of parent. But there were decreases of 1,241 million yen due to dividend payments and 699 million yen in the foreign currency translation adjustment.

(3) Forecast for the current fiscal year

There is no change in the forecast announced on April 11, 2017 for consolidated results of operations for the first half and full year of the fiscal year ending in February 2018.

The forecast for the current fiscal year is based on exchange rates of 110 yen to the US dollar, 137 yen to the British pound, 118 yen to the euro and 16 yen to the yuan.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

| | Fiscal year ended February 2017 (As of February 28, 2017) | First quarter ended May 2017 (As of May 31, 2017) |
|--|--|--|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 24,211 | 22,799 |
| Notes and accounts receivable-trade | 21,490 | 25,594 |
| Merchandise and finished goods | 20,159 | 18,375 |
| Work in process | 1,163 | 936 |
| Raw materials and supplies | 2,283 | 2,878 |
| Deferred tax assets | 2,647 | 2,149 |
| Other | 1,915 | 2,325 |
| Allowance for doubtful accounts | (1,593) | (1,466) |
| Total current assets | 72,278 | 73,592 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 5,265 | 5,223 |
| Machinery, equipment and vehicles, net | 1,484 | 1,400 |
| Land | 2,069 | 2,050 |
| Other, net | 414 | 440 |
| Total property, plant and equipment | 9,234 | 9,114 |
| Intangible assets | 736 | 724 |
| Investments and other assets | | |
| Other | 859 | 912 |
| Allowance for doubtful accounts | (23) | (23) |
| Total investments and other assets | 835 | 888 |
| Total noncurrent assets | 10,806 | 10,728 |
| Total assets | 83,085 | 84,320 |

(Million yen)

| | Fiscal year ended February 2017 (As of February 28, 2017) | First quarter ended May 2017 (As of May 31, 2017) |
|---|--|--|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 16,997 | 17,859 |
| Income taxes payable | 1,324 | 948 |
| Provision for bonuses | 189 | 373 |
| Provision for product warranties | 1,174 | 1,066 |
| Other | 1,997 | 1,927 |
| Total current liabilities | 21,683 | 22,175 |
| Noncurrent liabilities | | |
| Provision for directors' stock benefits | 17 | 20 |
| Provision for loss on guarantees | 86 | 60 |
| Net defined benefit liability | 30 | 30 |
| Other | 1,186 | 1,106 |
| Total noncurrent liabilities | 1,321 | 1,219 |
| Total liabilities | 23,005 | 23,394 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 3,632 | 3,632 |
| Capital surplus | 3,631 | 3,631 |
| Retained earnings | 53,327 | 54,897 |
| Treasury shares | (1,978) | (1,978) |
| Total shareholders' equity | 58,612 | 60,184 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 26 | 20 |
| Foreign currency translation adjustment | 1,261 | 562 |
| Remeasurements of defined benefit plans | 178 | 159 |
| Total accumulated other comprehensive income | 1,467 | 742 |
| Total net assets | 60,080 | 60,926 |
| Total liabilities and net assets | 83,085 | 84,320 |

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(For the first quarter)

(Million yen)

| | First quarter ended May 2016 (March 1, 2016 – May 31, 2016) | First quarter ended May 2017 (March 1, 2017 – May 31, 2017) |
|--|--|--|
| Net sales | 21,330 | 23,232 |
| Cost of sales | 14,558 | 17,152 |
| Gross profit | 6,771 | 6,080 |
| Selling, general and administrative expenses | | |
| Haulage expenses | 580 | 549 |
| Provision for product warranties | 170 | 205 |
| Provision of allowance for doubtful accounts | - | (69) |
| Provision for loss on guarantees | 21 | (23) |
| Directors' compensations | 62 | 58 |
| Salaries and allowances | 366 | 365 |
| Provision for bonuses | 29 | 45 |
| Retirement benefit expenses | 3 | 4 |
| Provision for directors' retirement benefits | 3 | - |
| Provision for directors' stock benefits | - | 3 |
| Other | 683 | 725 |
| Total selling, general and administrative expenses | 1,921 | 1,866 |
| Operating income | 4,849 | 4,213 |
| Non-operating income | | |
| Interest income | 5 | 7 |
| Dividend income | 0 | 0 |
| Gain on valuation of derivatives | 0 | 49 |
| Other | 13 | 18 |
| Total non-operating income | 21 | 75 |
| Non-operating expenses | | |
| Interest expenses | 1 | 1 |
| Foreign exchange losses | 423 | 77 |
| Other | 13 | 4 |
| Total non-operating expenses | 438 | 83 |
| Ordinary income | 4,432 | 4,206 |
| Extraordinary income | | |
| Gain on sales of investment securities | 5 | - |
| Total extraordinary income | 5 | - |
| Profit before income taxes | 4,437 | 4,206 |
| Income taxes - current | 1,202 | 987 |
| Income taxes - deferred | 379 | 406 |
| Total income taxes | 1,582 | 1,394 |
| Profit | 2,854 | 2,811 |
| Profit attributable to owners of parent | 2,854 | 2,811 |

(Quarterly consolidated statements of comprehensive income)

(Million yen)

| | First quarter ended May 2016 (March 1, 2016 – May 31, 2016) | First quarter ended May 2017 (March 1, 2017 – May 31, 2017) |
|--|--|--|
| Profit | 2,854 | 2,811 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (4) | (6) |
| Foreign currency translation adjustment | (841) | (699) |
| Remeasurements of defined benefit plans, net of tax | (12) | (19) |
| Total other comprehensive income | (858) | (724) |
| Comprehensive income | 1,996 | 2,086 |
| Comprehensive income attributable to owners of parent | 1,996 | 2,086 |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information)

I. For the first quarter ended May 2016 (March 1, 2016 – May 31, 2016)

Information about sales and income (loss) by reporting segments

(Million yen)

| | Reporting segments | | | | | Total | Adjustments (Note 1) | Amount on the quarterly consolidated statements of income (Note 2) |
|---|--------------------|-------|-------|--------|-------|--------|-------------------------|---|
| | Japan | USA | UK | France | China | | | |
| Net sales (of which to outside customers) | 7,627 | 9,878 | 2,734 | 848 | 240 | 21,330 | - | 21,330 |
| (of which inter- segment) | 12,444 | - | 28 | 1 | 269 | 12,743 | (12,743) | - |
| Total | 20,072 | 9,878 | 2,762 | 849 | 510 | 34,073 | (12,743) | 21,330 |
| Segment income | 3,380 | 691 | 102 | 44 | 18 | 4,236 | 612 | 4,849 |

Notes: 1. Adjustment in segment income of 612 million yen includes 923 million yen for elimination of inter-segment trade and -310 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 profit on the quarterly consolidated statements of income.

II. For the first quarter ended May 2017 (March 1, 2017 – May 31, 2017)

Information about sales and income (loss) by reporting segments

(Million yen)

| | Reporting segments | | | | | Total | Adjustments (Note 1) | Amount on the quarterly consolidated statements of income (Note 2) |
|---|--------------------|--------|-------|--------|-------|--------|-------------------------|---|
| | Japan | USA | UK | France | China | | | |
| Net sales (of which to outside customers) | 8,657 | 10,357 | 2,989 | 1,221 | 7 | 23,232 | - | 23,232 |
| (of which inter- segment) | 10,787 | - | 14 | 1 | 340 | 11,143 | (11,143) | - |
| Total | 19,444 | 10,357 | 3,003 | 1,223 | 347 | 34,376 | (11,143) | 23,232 |
| Segment income | 2,689 | 464 | 158 | 91 | 108 | 3,512 | 701 | 4,213 |

Notes: 1. Adjustment in segment income of 701 million yen includes 1,006 million yen for elimination of inter-segment trade and -305 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 profit on the quarterly consolidated statements of income.

(Subsequent events)

None