

Summary of Consolidated Financial Results For the Fiscal Year Ended February 28, 2018 [Japan GAAP]

Name of Company: Takeuchi Mfg. Co., Ltd.
 Stock Code: 6432
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
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 Date of regular general meeting of shareholders (tentative): May 24, 2018
 Date of commencement of dividend payment (tentative): May 25, 2018
 Date of securities report (tentative): May 24, 2018
 Supplementary explanatory documents: Yes
 Earnings presentation: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)

(1) Result of operations (Consolidated)

(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	%
Fiscal year ended February 2018	94,342	13.7	14,133	5.4	14,033	19.7	9,547	23.1
Fiscal year ended February 2017	83,000	(2.6)	13,404	(17.4)	11,722	(23.3)	7,757	(20.1)

Note: Comprehensive income: FY Feb./2018: 9,265 million yen (14.6 %), FY Feb./2017: 8,088 million yen (-14.6 %)

	Earnings per share	Earnings per share fully diluted	Return on equity	Ratio of ordinary income to assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended February 2018	200.20	-	14.9	16.0	15.0
Fiscal year ended February 2017	162.07	-	13.5	14.6	16.1

(Reference) Equity in income/losses of affiliates: FY Feb./2018 - million yen FY Feb./2017 - million yen

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2018	91,799	68,106	74.2	1,428.13
As of February 28, 2017	83,085	60,080	72.3	1,259.86

(Reference) Shareholders' equity As of February 28, 2018: 68,106 million yen As of February 28, 2017: 60,080 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended February 2018	10,406	(1,326)	(1,253)	30,411
Fiscal year ended February 2017	6,823	(1,442)	(3,066)	23,633

2. Dividends

	Dividend per share					Annual total amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended February 2017	-	0.00	-	26.00	26.00	1,241	16.0	2.2
Fiscal year ended February 2018	-	0.00	-	36.00	36.00	1,718	18.0	2.7
Fiscal year ending February 2019 (estimated)	-	0.00	-	40.00	40.00		21.2	

3. Forecast for the fiscal year ending February 2019 (Consolidated, March 1, 2018 to February 28, 2019)

(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
First half	56,500	8.0	8,700	5.2	8,400	0.5	6,100	5.4	127.91
Full year	97,000	2.8	12,700	(10.1)	12,400	(11.6)	9,000	(5.7)	188.72

* Notes

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

(2) 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

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of February 28, 2018: 48,999,000 As of February 28, 2017: 48,999,000

(b) Treasury shares

As of February 28, 2018: 1,309,568 As of February 28, 2017: 1,311,158

(c) Average number of shares

Period ended February 28, 2018: 47,688,986 Period ended February 28, 2017: 47,868,522

Note: Treasury shares include shares held by the Board Incentive Plan Trust (57,300 shares as of February 28, 2017 and 55,710 shares as of February 28, 2018).

* The rule mandating audit procedures does not apply to 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 "1. Results of Operations (4) Outlook for fiscal year ending in February 2019" on page 3 of the Supplementary Information.

(2) To receive supplementary explanatory documents and contents of earnings presentation

The earnings presentation for institutional investors and analysts will be held on April 19, 2018. Supplementary explanatory documents will be posted promptly on the company's website after the earnings presentation.

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1. Results of Operations

(1) Overview on consolidated business performance

The United States and Europe are the major markets for the Takeuchi Group. In the United States, although economic growth slowed briefly due to hurricane damage, the economy continued to expand during the fiscal year with the support of firm growth in consumer spending as the labor market recovered. In addition, recovery in corporate capital expenditures also became increasingly clear. In Britain, the economy was generally healthy as the labor market recovers and prices move up. In other European countries, almost all countries in the eurozone posted economic growth as consumer spending climbs along with an improving labor market and a recovery in capital expenditures.

As demand for the Takeuchi Group's products increased in the United States and Europe in this generally favorable business climate, the U.S. and European sales networks were expanded and there were extensive sales activities. As a result, the sales volume of compact excavators, hydraulic excavators and track loaders was higher than in the previous fiscal year.

Sales increased 13.7% to record 94,342 million yen and earnings were higher as well. Operating income increased 5.4% to 14,133 million yen as the contribution to earnings from higher sales more than offset increases in the cost of raw materials and personnel and in expenditures for R&D. Ordinary income increased 19.7% to 14,033 million yen because the foreign exchange loss was smaller than one year earlier. After income taxes of 4,485 million yen and other items, profit attributable to owners of parent increased 23.1% to 9,547 million yen.

Geographic segment performance was as follows.

(a) Japan

Sales increased 7.1% to 33,116 million yen, mainly because of growth in the number of compact excavators for sale in Europe. Segment income increased 6.1% to 12,308 million yen.

(b) United States

Sales increased 14.3% to 45,363 million yen mainly because of growth in the sales volume of compact excavators, hydraulic excavators and track loaders. Segment income, however, fell 34.2% to 1,544 million yen due to an increase in the prices of products imported from Japan.

(c) United Kingdom

Sales increased 30.2% to 10,822 million yen mainly because of growth in the sales volume of compact excavators and hydraulic excavators. Segment income was up 67.1% to 534 million yen.

(d) France

The sales volume of compact excavators and hydraulic excavators was higher in part because of measures to increase the number of dealers in France. In addition, the weaker yen boosted yen conversions of euro-denominated sales. As a result, sales increased 33.0% to 4,732 million yen and segment income was up 61.5% to 314 million yen.

(e) China

Sales declined 39.6% to 308 million yen because of a downturn in the sales volume of hydraulic excavators. Segment income increased 345.1% to 401 million yen, which was mainly the result of growth in the supply of parts to Japan and a reversal of the allowance for doubtful accounts.

(2) Overview of financial condition

Assets were 91,799 million yen at the end of the first year, 8,714 million yen more than at the end of the previous fiscal year. There were increases of 6,778 million yen in cash and deposits and 961 million yen in notes and accounts receivable due to sales growth. Deferred tax assets decreased 548 million yen mainly because of the reduction in the U.S. corporate tax rate.

Liabilities increased 687 million yen to 23,692 million yen primarily because of a 574 million yen increase in notes and accounts payable-trade associated with the increase in production volume.

Net assets increased 8,026 million yen to 68,106 million yen. Retained earnings increased 9,547 million yen because of profit attributable to owners of parent, but there was a decrease of 1,241 million yen due to dividends paid and there was a 208 million yen decrease in foreign currency translation adjustments.

(3) Overview of cash flows

Cash and cash equivalents increased 6,778 million yen from the end of the previous fiscal year to 30,411 million yen. Major uses of cash were income taxes paid and the cash dividends paid, and cash was provided by profit before income taxes and other items. The following is a summary of fiscal year cash flows.

(Operating activities)

Net cash provided by operating activities increased 3,583 million yen to 10,406 million yen. Major uses of cash were income taxes paid, which decreased 1,022 million yen to 3,304 million yen, and a 941 million yen increase in notes and accounts receivable-trade which decreased 108 million yen from the previous fiscal year. Major sources of cash were profit before income taxes of 14,033 million yen, 2,305 million yen more than one year earlier, and an increase of 598 million yen in notes and accounts payable-trade which decreased 1,937 million yen from the previous fiscal year.

(Investing activities)

Net cash used in investing activities decreased 115 million yen to 1,326 million yen. The redemption of securities provided cash of 909 million yen. There were no redemptions in the previous fiscal year. There was a 325 million yen decrease in cash used for the purchase of property, plant and equipment to 866 million yen. Payments for the purchase of securities were 900 million yen, up from no purchases in the previous fiscal year, and payments for purchases of investment securities increased 200 million yen to 300 million yen.

(Financing activities)

Cash used in financing activities decreased 1,813 million yen to 1,253 million yen. The main uses of cash were cash dividends paid of 1,241 million yen, 164 million yen more than one year earlier, and others.

(Reference) Cash flow indices

	FY Feb./2014	FY Feb./2015	FY Feb./2016	FY Feb./2017	FY Feb./2018
Equity ratio (%)	70.4	69.5	71.3	72.3	74.2
Market capitalization equity ratio (%)	87.7	113.8	86.8	129.0	134.4
Cash flow to debt ratio (years)	0.0	-	-	-	-
Interest coverage ratio (times)	554.0	827.0	2,178.9	1,293.4	4,623.0

Equity ratio = Shareholders' equity/Total assets

Market capitalization equity ratio = Market capitalization/Total assets

Cash flow to debt ratio = Interest-bearing debts/Operating cash flows

Interest coverage ratio = Operating cash flows/Interest expenses paid

Notes:

1. Consolidated financial data are used for all ratios.
2. Market capitalization is based on the number of shares issued after deducting treasury shares.
3. Interest-bearing debt is all balance sheet liabilities on which interest is paid.
4. Operating cash flows and interest expenses paid are the corresponding figures on the statements of cash flows.
5. No cash flow to debt ratio is shown for the FY Feb./2015, FY Feb./2016, FY Feb./2017 and FY Feb./2018 because there were no interest-bearing debts.

(4) Outlook for fiscal year ending in February 2019

The United States and Europe are the largest markets for the Takeuchi Group. In the United States, although there is uncertainty about government policies, the outlook is for stronger consumer spending and a larger volume of corporate capital expenditures due to tax reform centered on personal and corporate tax cuts and increased infrastructure investment. The U.S. housing market is expected to remain firm because of the favorable environment for jobs and personal income. In addition, we expect that sales of the new 3.5-ton track loader that was launched in January 2018 for North America will add to the sales volume in this region. Although we expect an increase in U.S. dollar-denominated sales resulting from growth in sales volume because of the new track loader, we forecast a small decrease in yen-denominated sales based on the outlook for the dollar to depreciate.

In Europe, the economic outlook is unclear in Britain as Brexit negotiations continue. But slow economic growth fueled chiefly by internal demand is expected to continue in other EU countries. Consumer spending is strong as the labor market improves and corporate earnings and capacity utilization rates are also improving. The Takeuchi Group started selling a 2.3-ton compact hydraulic excavator in March 2018 for Europe that is expected to raise the sales volume in this region. Based on this outlook, we forecast higher sales in Europe.

Overall, we forecast a 2.8% increase in net sales to 97,000 million yen. Although we expect earnings to benefit from the growth in sales volume, we forecast lower earnings because of the higher cost of steel and other raw materials and the outlook for the dollar to become weaker. We therefore forecast a 10.1% decrease in operating income to 12,700 million yen, a 11.6% decrease in ordinary income to 12,400 million yen, including a projected foreign exchange loss, and a 5.7% decrease in profit attributable to owners of parent to 9,000 million yen.

The exchange rate assumptions for this forecast are 103 yen to the U.S. dollar, 147 yen to the British pound, 128 yen to the euro and 16.40 yen to the yuan.

	FY Feb./2018	FY Feb./2019	Change
	Billion yen	Billion yen	%
Sales	94.3	97.0	2.8
Operating income	14.1	12.7	(10.1)
Ordinary income	14.0	12.4	(11.6)
Profit attributable to owners of parent	9.5	9.0	(5.7)

This forecast is based on information that was available when this earnings announcement was released. Actual sales and earnings may differ from the forecast for a variety of reasons because the forecast includes assumptions about changes in demand and other aspects of market conditions, foreign exchange rate movements, and many other factors that can affect the Takeuchi Group's performance.

2. Basic stance for the selection of accounting standards

The policy of the Takeuchi Mfg. Group is to continue preparing consolidated financial statements based on Japanese accounting standards for the time being.

For the application of international accounting standards, actions will be taken in an appropriate manner based on all relevant factors in Japan and other countries.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated balance sheet

(Million yen)

	Fiscal year ended February 2017 (As of February 28, 2017)	Fiscal year ended February 2018 (As of February 28, 2018)
ASSETS		
Current assets		
Cash and deposits	24,211	30,990
Notes and accounts receivable-trade	21,490	22,452
Merchandize and finished goods	20,159	19,358
Work in process	1,163	1,522
Raw materials and supplies	2,283	3,017
Deferred tax assets	2,647	2,098
Other	1,915	2,674
Allowance for doubtful accounts	(1,593)	(1,500)
Total current assets	72,278	80,614
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,265	5,330
Machinery, equipment and vehicles, net	1,484	1,268
Tools, furniture and fixtures, net	340	415
Land	2,069	2,104
Construction in progress	74	39
Total property, plant and equipment	9,234	9,158
Intangible assets	736	713
Investments and other assets		
Investment securities	250	535
Net defined benefit asset	299	352
Other	308	445
Allowance for doubtful accounts	(23)	(21)
Total investments and other assets	835	1,313
Total noncurrent assets	10,806	11,185
Total assets	83,085	91,799

(Million yen)

	Fiscal year ended February 2017 (As of February 28, 2017)	Fiscal year ended February 2018 (As of February 28, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	16,997	17,572
Income taxes payable	1,324	1,966
Provision for bonuses	189	214
Provision for product warranties	1,174	1,178
Other	1,997	1,608
Total current liabilities	21,683	22,540
Noncurrent liabilities		
Deferred tax liabilities	806	692
Provision for directors' stock benefits	17	30
Provision for loss on guarantees	86	22
Net defined benefit liability	30	41
Other	379	366
Total noncurrent liabilities	1,321	1,152
Total liabilities	23,005	23,692
NET ASSETS		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	53,327	61,633
Treasury shares	(1,978)	(1,976)
Total shareholders' equity	58,612	66,921
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26	22
Foreign currency translation adjustment	1,261	1,053
Remeasurements of defined benefit plans	178	109
Total accumulated other comprehensive income	1,467	1,185
Total net assets	60,080	68,106
Total liabilities and net assets	83,085	91,799

(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)

(Million yen)

	Fiscal year ended February 2017 (March 1, 2016 – February 28, 2017)	Fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)
Net sales	83,000	94,342
Cost of sales	62,276	72,365
Gross profit	20,724	21,976
Selling, general and administrative expenses		
Haulage expenses	2,178	2,558
Provision for product warranties	686	708
Provision of allowance for doubtful accounts	0	(123)
Provision for loss on guarantees	-	(64)
Directors' compensations	246	243
Salaries and allowances	1,533	1,650
Provision for bonuses	38	41
Retirement benefit expenses	47	25
Provision for directors' retirement benefits	3	-
Provision for directors' stock benefits	17	15
Other	2,570	2,788
Total selling, general and administrative expenses	7,320	7,842
Operating profit	13,404	14,133
Non-operating income		
Interest income	30	38
Dividends income	31	2
Gain on valuation of derivatives	-	132
Other	76	78
Total non-operating income	138	252
Non-operating expenses		
Interest expenses	5	2
Loss on retirement of noncurrent assets	25	32
Foreign exchange losses	1,657	314
Other	132	3
Total non-operating expenses	1,820	352
Ordinary profit	11,722	14,033
Extraordinary income		
Gain on sales of investment securities	5	-
Total extraordinary income	5	-
Profit before income taxes	11,727	14,033
Income taxes-current	4,042	4,059
Income taxes-deferred	(72)	426
Total income taxes	3,969	4,485
Profit	7,757	9,547
Profit attributable to owners of parent	7,757	9,547

(Consolidated statement of comprehensive income)

(Million yen)

	Fiscal year ended February 2017 (March 1, 2016 – February 28, 2017)	Fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)
Profit	7,757	9,547
Other comprehensive income		
Valuation difference on available-for-sale securities	15	(3)
Foreign currency translation adjustment	330	(208)
Remeasurements of defined benefit plans, net of tax	(15)	(69)
Total other comprehensive income	331	(281)
Comprehensive income	8,088	9,265
Comprehensive income attributable to owners of parent	8,088	9,265
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity
 Previous fiscal year (March 1, 2016 – February 28, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,632	3,631	46,647	(3)	53,907
Changes of items during the period					
Dividends of surplus			(1,077)		(1,077)
Profit attributable to owners of parent			7,757		7,757
Purchase of treasury shares				(1,975)	(1,975)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	6,679	(1,975)	4,704
Balance at end of current period	3,632	3,631	53,327	(1,978)	58,612

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	10	931	194	1,136	55,043
Changes of items during the period					
Dividends of surplus					(1,077)
Profit attributable to owners of parent					7,757
Purchase of treasury shares					(1,975)
Net changes of items other than shareholders' equity	15	330	(15)	331	331
Total changes of items during the period	15	330	(15)	331	5,036
Balance at end of current period	26	1,261	178	1,467	60,080

Current fiscal year (March 1, 2017 – February 28, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,632	3,631	53,327	(1,978)	58,612
Changes of items during the period					
Dividends of surplus			(1,241)		(1,241)
Profit attributable to owners of parent			9,547		9,547
Disposal of treasury shares				2	2
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	8,306	2	8,308
Balance at end of current period	3,632	3,631	61,633	(1,976)	66,921

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	26	1,261	178	1,467	60,080
Changes of items during the period					
Dividends of surplus					(1,241)
Profit attributable to owners of parent					9,547
Disposal of treasury shares					2
Net changes of items other than shareholders' equity	(3)	(208)	(69)	(281)	(281)
Total changes of items during the period	(3)	(208)	(69)	(281)	8,026
Balance at end of current period	22	1,053	109	1,185	68,106

(4) Consolidated statement of cash flows

(Million yen)

	Fiscal year ended February 2017 (March 1, 2016 – February 28, 2017)	Fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)
Cash flows from operating activities		
Profit before income taxes	11,727	14,033
Depreciation	1,429	1,265
Increase (decrease) in allowance for doubtful accounts	10	(139)
Increase (decrease) in provision for bonuses	14	24
Increase (decrease) in provision for product warranties	138	21
Decrease (increase) in net defined benefit asset	(76)	(153)
Increase (decrease) in provision for directors' retirement benefits	(267)	-
Increase (decrease) in provision for directors' stock benefits	17	14
Increase (decrease) in provision for loss on guarantees	(17)	(64)
Interest and dividends income	(62)	(41)
Foreign exchange losses (gains)	(1,149)	1,157
Interest expenses	5	2
Loss (gain) on sales of investment securities	(5)	-
Loss (gain) on sales of noncurrent assets	(1)	(1)
Loss on retirement of noncurrent assets	25	32
Decrease (increase) in notes and accounts receivable-trade	(1,049)	(941)
Decrease (increase) in inventories	(4,014)	(630)
Increase (decrease) in notes and accounts payable-trade	2,535	598
Decrease (increase) in other assets	831	(1,128)
Increase (decrease) in other liabilities	1,014	(362)
Other, net	(12)	(14)
Subtotal	11,094	13,672
Interest and dividends income received	62	41
Interest expenses paid	(5)	(2)
Income taxes paid	(4,327)	(3,304)
Net cash provided by operating activities	6,823	10,406
Cash flows from investing activities		
Decrease (increase) in time deposits	(0)	(0)
Purchase of securities	-	(900)
Proceeds from redemption of securities	-	909
Purchase of property, plant and equipment	(1,191)	(866)
Proceeds from sales of property, plant and equipment	2	3
Purchase of intangible assets	(180)	(159)
Purchase of investment securities	(100)	(300)
Proceeds from sales of investment securities	9	-
Payments of loans receivable	(0)	-
Collection of loans receivable	0	0
Other, net	17	(14)
Net cash provided by (used in) investing activities	(1,442)	(1,326)

(Million yen)

	Fiscal year ended February 2017 (March 1, 2016 – February 28, 2017)	Fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)
Cash flows from financing activities		
Purchase of treasury shares	(1,975)	-
Proceeds from sales of treasury shares	-	0
Cash dividends paid	(1,076)	(1,241)
Repayments of lease obligations	(14)	(12)
Net cash provided by (used in) financing activities	(3,066)	(1,253)
Effect of exchange rate change on cash and cash equivalents	1,316	(1,048)
Net increase (decrease) in cash and cash equivalents	3,630	6,778
Cash and cash equivalents at beginning of period	20,002	23,633
Cash and cash equivalents at end of period	23,633	30,411

(5) Notes to the consolidated financial statements

(Notes to going concern assumptions)

None

(Changes in accounting principles)

None

(Change in presentation method)

(Consolidated statement of income)

Insurance premiums refunded cancellation, which was a separate income statement item in the fiscal year that ended in February 2017, is included in the other item of non-operating income starting with the fiscal year that ended in February 2018 because the amount of this income has become insignificant (11 million yen in the fiscal year ended February 2018).

(Supplementary information)

Application of guidance on recoverability of deferred tax assets

The Takeuchi Group started using Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) in the fiscal year that ended on February 28, 2018.

(Compensation linked to results of operations)

The Takeuchi has established 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. 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 February 28, 2017, treasury shares included 57,300 shares held by the BIP Trust with a book value of 80 million yen, and on February 28, 2018, treasury shares included 55,710 shares held by the BIP Trust with a book value of 77 million yen.

(Segment information, etc.)

a. Segment information

1. Summary of reportable segments

The reportable segments of the Takeuchi Group are based on the constituent units of the group for which separate financial information is available and the Board of Directors performs periodic examinations for determining the allocation of resources and the evaluating performance.

The manufacture and sale of construction machinery is the primary business of the Takeuchi Group. Takeuchi Mfg. operates in Japan and Takeuchi Mfg. and its subsidiaries operate in other countries. Each subsidiary is managed as an independent unit, conducting business operations based on its own regional comprehensive strategy for the products handled.

Consequently, there are five reportable geographic segments based on manufacturing and sales operations: Japan, United States, United Kingdom, France and China

2. Method for determining sales, earnings/losses, assets, liabilities and other items for reportable segments

The accounting method for reportable segments is the same as the Basis of Presentation of the Consolidated Financial Statements.

Reportable segments earnings are operating income and intersegment sales and transfers are based on market prices.

3. Reportable segment sales, earnings/loss, assets, liabilities and other items

Previous fiscal year (March 1, 2016 – February 28, 2017)

	Reporting segments					Total	Adjustments (Note 1)	Amount on the consolidated statements of income (Note 2)
	Japan	USA	UK	France	China			
Net sales (of which to outside customers)	30,934	39,684	8,312	3,558	510	83,000	-	83,000
(of which inter- segment /transfer)	48,010	0	79	11	1,171	49,274	(49,274)	-
Total	78,944	39,685	8,392	3,569	1,682	132,274	(49,274)	83,000
Segment income	11,597	2,347	320	194	90	14,549	(1,145)	13,404
Segment assets	51,821	32,832	5,182	3,351	2,324	95,511	(12,426)	83,085
Others								
Depreciation	938	85	27	23	129	1,203	225	1,429
Increase in property, plant and equipment and intangible assets	921	143	10	3	10	1,089	82	1,171

Notes:

1. The adjustments are as follows.

- (1) The 1,145 million yen negative adjustment for segment income includes a 30 million yen deduction for intersegment transaction eliminations and a 1,114 million yen deduction for corporate expenses that cannot be assigned to specific segments. Corporate expenses are primarily selling, general and administrative expenses that do not belong to specific segments.
- (2) The 12,426 million yen negative adjustment for segment assets includes a 33,588 million yen deduction for intersegment transaction eliminations and a 21,162 million yen addition for corporate assets that cannot be assigned to specific segments. Corporate assets are primarily unused funds (cash and deposits) at Takeuchi Mfg. and assets associated with administrative departments.
- (3) The depreciation adjustment of 225 million yen is corporate expenses that cannot be assigned to specific segments.
- (4) The 82 million yen adjustment for increase in property, plant and equipment and intangible assets is corporate assets that cannot be assigned to specific segments.

2. Segment income are adjusted for consistency with operating income on the consolidated statement of income.

Current fiscal year (March 1, 2017 – February 28, 2018)

(Million yen)

	Reporting segments					Total	Adjustments (Note 1)	Amount on the consolidated statements of income (Note 2)
	Japan	USA	UK	France	China			
Net sales (of which to outside customers)	33,116	45,363	10,822	4,732	308	94,342	-	94,342
(of which inter- segment /transfer)	52,932	0	39	7	1,692	54,671	(54,671)	-
Total	86,048	45,363	10,861	4,739	2,000	149,014	(54,671)	94,342
Segment income	12,308	1,544	534	314	401	15,103	(969)	14,133
Segment assets	56,514	30,716	6,585	4,460	2,470	100,747	(8,948)	91,799
Others								
Depreciation	843	74	27	22	83	1,050	214	1,265
Increase in property, plant and equipment and intangible assets	831	141	2	8	1	986	125	1,112

Notes:

1. The adjustments are as follows.
 - (1) The 969 million yen negative adjustment for segment income includes a 230 million yen deduction for intersegment transaction eliminations and a 1,200 million yen deduction for corporate expenses that cannot be assigned to specific segments. Corporate expenses are primarily selling, general and administrative expenses that do not belong to specific segments.
 - (2) The 8,948 million yen negative adjustment for segment assets includes a 35,198 million yen deduction for intersegment transaction eliminations and a 26,249 million yen addition for corporate assets that cannot be assigned to specific segments. Corporate assets are primarily unused funds (cash and deposits) at Takeuchi Mfg. and assets associated with administrative departments.
 - (3) The depreciation adjustment of 214 million yen is corporate expenses that cannot be assigned to specific segments.
 - (4) The 125 million yen adjustment for increase in property, plant and equipment and intangible assets is corporate assets that cannot be assigned to specific segments.
2. Segment income are adjusted for consistency with operating income on the consolidated statement of income.

(Per share information)

	Fiscal year ended February 2017 (March 1, 2016 – February 28, 2017)	Fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)
Net asset per share	1,259.86 yen	1,428.13 yen
Earnings per share	162.07 yen	200.20 yen

- Notes: 1. Earnings per share (diluted) is not presented, since there is no potential stock which has dilution effect.
2. Stock held by the Board Incentive Plan Trust (35,008 shares in the fiscal year that ended in February 2017 and 56,156 shares in the fiscal year that ended in February 2018) is included in treasury shares, which are deducted from the average number of shares during the period used for calculating earnings per share. Moreover, 57,300 shares in the fiscal year that ended in February 2017 and 55,710 shares in the fiscal year that ended in February 2018 are included in treasury shares, which are deducted from the number of shares outstanding at fiscal year end used for calculating net asset per share.
3. The following basis is used for calculating earnings per share.

	Fiscal year ended February 2017 (March 1, 2016 – February 28, 2017)	Fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)
Profit attributable to owners of parent (million yen)	7,757	9,547
Amount not attributed to common shareholders (million yen)	-	-
Profit attributable to owners of parent applicable to common stock (million yen)	7,757	9,547
Average number of shares outstanding of the period (shares)	47,868,522	47,688,986

(Subsequent events)

None