

## Summary of Consolidated Financial Results For the First Quarter Ended May 31, 2018 [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: Executive Officer & Manager of Business Management Department  
 Name: Osamu Kobayashi  
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 Date of quarterly securities report (tentative): July 13, 2018  
 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 2019 (March 1, 2018 – May 31, 2018)

(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 2018	26,848	15.6	4,794	13.8	4,702	11.8	3,392	20.6
First quarter ended May 31 2017	23,232	8.9	4,213	(13.1)	4,206	(5.1)	2,811	(1.5)

Note: Comprehensive income: 1Q FY Feb./2019: 2,294 million yen (9.9%), 1Q FY Feb./2018: 2,086 million yen (4.5%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended May 31 2018	71.14		-	
First quarter ended May 31 2017	58.96		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2018	95,728		68,686		71.8	
As of February 28, 2018	91,799		68,106		74.2	

(Reference) Shareholders' equity

As of May 31, 2018: 68,686 million yen As of February 28, 2018 68,106 million yen

### 2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen				
Fiscal year ended February 2018	-	0.00	-	36.00	36.00
Fiscal year ending February 2019	-				
Fiscal year ending February 2019 (est.)		0.00	-	40.00	40.00

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

### 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)	188.71

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, 2018:	48,999,000	As of February 28, 2018:	48,999,000
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  - (b) Treasury shares

	As of May 31, 2018:	1,306,998	As of February 28, 2018:	1,309,568
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  - (c) Average number of shares (quarterly consolidated cumulative period)

	Period ended May 31, 2018:	47,689,628	Period ended May 31, 2017:	47,687,879
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Note: Treasury shares include shares held by the Board Incentive Plan Trust (55,710 shares as of February 28, 2018 and 53,140 shares as of May 31, 2018).

\* This report is exempt from the quarterly audit review by certified public accountants or accounting firms.

\* 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 2.

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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, there are concerns about negative effects on the economy from higher tariffs as the Trump administration adopts an increasingly protectionist stance. However, consumer spending is healthy due to low unemployment and positive consumer sentiment and private-sector capital expenditures are remaining strong. In Europe, economic growth continued, although there are worries about the upcoming direction of the economy as U.S. trade policies increase the risk of an economic downturn. In the United Kingdom, the economy is continuing to grow slowly despite signs of a slowdown in consumer spending and capital expenditures.

Demand for the Takeuchi Group's products in the United States and Europe was consistently strong during the first quarter. Sales of a new track loader started in January 2018 and a new compact excavator was launched in March 2018. Sales were also backed by extensive sales activities. As a result, the sales volume of compact excavators, hydraulic excavators and track loaders was higher than in the first quarter of the previous fiscal year.

First quarter sales increased 15.6% to 26,848 million yen. Operating income increased 13.8% to 4,794 million yen as the growth in sales more than offset the increase in the cost of transporting products associated with the higher sales volume. Ordinary income increased 11.8% to 4,702 million yen and, after income taxes of 1,310 million yen, profit attributable to owners of parent increased 20.6% to 3,392 million yen.

Geographic segment performance was as follows.

#### (a) Japan

Sales increased 9.8% to 9,502 million yen mainly because of growth in the sales volume of compact excavators and hydraulic excavators for sale in Europe. The March 2018 launch of a new compact excavator also contributed to sales. Segment income increased 15.5% to 3,107 million yen.

#### (b) United States

Sales increased 9.1% to 11,297 million yen. The sales volume of compact excavators, hydraulic excavators and track loaders increased and sales benefited from the January 2018 launch of a new track loader. Segment income was up 39.7% to 649 million yen.

#### (c) United Kingdom

Sales increased 38.3% to 4,132 million yen mainly because of growth in the sales volume of compact excavators and hydraulic excavators. Segment income was up 58.8% to 252 million yen.

#### (d) France

Sales increased 41.9% to 1,733 million yen mainly because of the higher sales volume of compact excavators and hydraulic excavators. Segment income increased 1.1% to 902 million yen as earnings were held down by the higher prices of products imported from Japan.

#### (e) China

Sales increased from 7 million yen one year earlier to 181 million yen mainly because of an increase in the number of compact excavators and hydraulic excavators sold. Segment income increased 21.0% to 131 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 95,728 million yen at the end of the first quarter, 3,928 million yen more than at the end of the previous fiscal year. Cash and deposits decreased 1,645 million yen and there were increases of 4,311 million yen in notes and accounts receivable-trade due to sales growth and 1,373 million yen in inventories.

Liabilities increased 3,349 million yen to 27,042 million yen. Income taxes payable decreased 698 million yen and notes and accounts payable-trade increased 3,542 million yen due to the increase in production volume.

Net assets increased 579 million yen to 68,686 million yen. Retained earnings increased 3,392 million yen because of first quarter profit attributable to owners of parent, but there was a decrease of 1,718 million yen due to dividends paid and there was a 1,069 million yen decrease in foreign currency translation adjustments.

### (3) Forecast for the current fiscal year

There is no change in the forecast announced on April 10, 2018 for consolidated results of operations for the first half and full year of the fiscal year ending in February 2019.

The forecast for the current fiscal year is based on exchange rates of 103 yen to the US dollar, 147 yen to the British pound, 128 yen to the euro and 16.40 yen to the yuan.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended February 2018 (As of February 28, 2018)	First quarter ended May 2018 (As of May 31, 2018)
<b>ASSETS</b>		
Current assets		
Cash and deposits	30,990	29,345
Notes and accounts receivable-trade	22,452	26,764
Merchandise and finished goods	19,358	20,110
Work in process	1,522	1,189
Raw materials and supplies	3,017	3,971
Deferred tax assets	2,098	1,930
Other	2,674	2,559
Allowance for doubtful accounts	(1,500)	(1,412)
Total current assets	80,614	84,458
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,330	5,178
Machinery, equipment and vehicles, net	1,268	1,245
Land	2,104	2,079
Other, net	454	503
Total property, plant and equipment	9,158	9,007
Intangible assets	713	669
Investments and other assets		
Other	1,334	1,614
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	1,313	1,592
Total noncurrent assets	11,185	11,269
Total assets	91,799	95,728

(Million yen)

	Fiscal year ended February 2018 (As of February 28, 2018)	First quarter ended May 2018 (As of May 31, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	17,572	21,114
Income taxes payable	1,966	1,267
Provision for bonuses	214	405
Provision for product warranties	1,178	1,372
Other	1,608	1,828
Total current liabilities	22,540	25,989
Noncurrent liabilities		
Provision for directors' stock benefits	30	32
Provision for loss on guarantees	22	13
Net defined benefit liability	41	39
Other	1,058	967
Total noncurrent liabilities	1,152	1,052
Total liabilities	23,692	27,042
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,632	3,632
Capital surplus	3,631	3,631
Retained earnings	61,633	63,307
Treasury shares	(1,976)	(1,973)
Total shareholders' equity	66,921	68,598
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22	7
Foreign currency translation adjustment	1,053	(16)
Remeasurements of defined benefit plans	109	96
Total accumulated other comprehensive income	1,185	87
Total net assets	68,106	68,686
Total liabilities and net assets	91,799	95,728

(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 2017 (March 1, 2017 – May 31, 2017)	First quarter ended May 2018 (March 1, 2018 – May 31, 2018)
Net sales	23,232	26,848
Cost of sales	17,152	19,722
Gross profit	6,080	7,126
Selling, general and administrative expenses		
Haulage expenses	549	821
Provision for product warranties	205	417
Provision of allowance for doubtful accounts	(69)	(54)
Provision for loss on guarantees	(23)	(8)
Directors' compensations	58	56
Salaries and allowances	365	372
Provision for bonuses	45	46
Retirement benefit expenses	4	5
Provision for directors' stock benefits	3	2
Other	725	672
Total selling, general and administrative expenses	1,866	2,332
Operating income	4,213	4,794
Non-operating income		
Interest income	7	13
Dividend income	0	-
Gain on valuation of derivatives	49	-
Insurance premiums refunded cancellation	-	10
Other	18	16
Total non-operating income	75	39
Non-operating expenses		
Loss on retirement of non-current assets	1	1
Foreign exchange losses	77	118
Other	3	10
Total non-operating expenses	83	131
Ordinary income	4,206	4,702
Profit before income taxes	4,206	4,702
Income taxes - current	987	1,179
Income taxes - deferred	406	130
Total income taxes	1,394	1,310
Profit	2,811	3,392
Profit attributable to owners of parent	2,811	3,392

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

(Million yen)

	First quarter ended May 2017 (March 1, 2017 – May 31, 2017)	First quarter ended May 2018 (March 1, 2018 – May 31, 2018)
Profit	2,811	3,392
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(15)
Foreign currency translation adjustment	(699)	(1,069)
Remeasurements of defined benefit plans, net of tax	(19)	(13)
Total other comprehensive income	(724)	(1,098)
Comprehensive income	2,086	2,294
Comprehensive income attributable to owners of parent	2,086	2,294
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 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 income on the quarterly consolidated statements of income.

## II. For the first quarter ended May 2018 (March 1, 2018 – May 31, 2018)

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)	9,502	11,297	4,132	1,733	181	26,848	-	26,848
(of which inter- segment)	16,508	0	7	2	498	17,017	(17,017)	-
Total	26,010	11,297	4,140	1,736	680	43,865	(17,017)	26,848
Segment income	3,107	649	252	92	131	4,232	561	4,794

Notes: 1. Adjustment in segment income of 561 million yen includes 881 million yen for elimination of inter-segment trade and -319 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)

Divestiture and sale of stock of the new company

The board of directors of Takeuchi approved a resolution on April 17, 2018 to divest the industrial agitator manufacturing and sales business (simple divestiture and establishment of a company) as a separate company and subsequently sell all shares of this company to MK SEIKO CO., LTD. A contract for the sale of this stock was signed on April 18, 2018.

The divestiture of this business and sale of stock of the company established due to this divestiture were completed on June 1, 2018.

1. Reason for the divestiture

Takeuchi made the decision to sell the industrial agitator business, which it has operated since March 1976, for the purpose of increasing the focus of its resources on the construction machinery business.

By acquiring the industrial agitator business, MK Seiko expects more growth in this business and its other operations due to synergies with its current business activities and the use of its existing sales channels. As a result, Takeuchi concluded that MK Seiko is the most suitable buyer of the industrial agitator business.

2. Summary of the divested business

Business: Manufacture and sales of industrial agitators

Sales:	Fiscal year ended February 2018	565 million yen
	First quarter of the fiscal year ending February 2019	159 million yen

3. Format of divestiture

Divestiture by Takeuchi resulting in the establishment of a company to operate the divested business (simple divestiture)

4. Summary of the divestiture

Divesting company: TAKEUCHI MFG. CO., LTD.

Newly established company: MK MIXT CO., LTD.

Divested assets: 213 million yen

Divested liabilities: 25 million yen

5. Reportable segment including the divested business

Japan

Note: Due to this divestiture, all operations involving the manufacture and sales of industrial agitators were transferred to the newly established company.

6. Date of the divestiture

June 1, 2018

7. Sale of stock

On June 1, 2018, Takeuchi sold all shares of the company established due to the divestiture to MK Seiko.

8. Summary of buyer of stock of the newly established company (as of March 20, 2018)

Name: MK SEIKO CO., LTD.

Address: 1825 Amenomiya, Chikuma, Nagano

President: Shoichi Maruyama

Activities: Manufacture, sales and import/export of automotive service equipment, information equipment and household products

Capital: 3,373 million yen

9. Price of stock sold

386 million yen for common stock of MK MIXT CO., LTD.

10. Gain on sale

198 million yen as a gain on the sale of a business