Denyo Co., Ltd.

Annual Report 2013

Year ended March 31, 2013

PROFILE

Since its establishment in 1948, Denyo Co., Ltd. has engaged in the production and sales of engine generators, engine welders, engine air-compressors and other construction-related machinery.

Denyo is a global enterprise consisting of nine subsidiaries, two affiliate companies, along with production facilities, including after sale service in Japan, Southeast Asia and the U.S.

In 17 years of production from the first term beginning in January, 1996 until January of 2013, total production of Denyo Manufacturing Corporation, a Denyo Group company, has reached 50,000.

The Company entered the North American market in 1982 and established the Denyo Manufacturing Corporation in Danville, Kentucky in August, 1995. As this was Company's first overseas full-scale production facility, various problems occurred when production began but with the cooperation and support of the local dealers, employees and local corporations, things started well and the facility grew enough to receive the honor of "Manufacturer of the Year," in 2012 from Kentucky Association of Manufacturers as a corporation that contributes to the environment and region.

Achievement of 50,000 total production

Denyo Manufacturing Corporation

CONTENS

DENYO CO., LTD. and Consolidated Subsidiaries

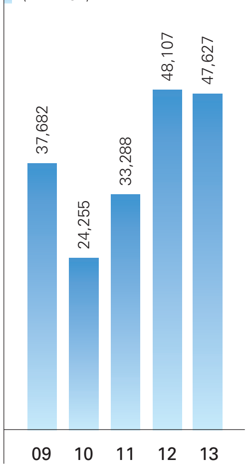
CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31, 2013, 2012 and 2011

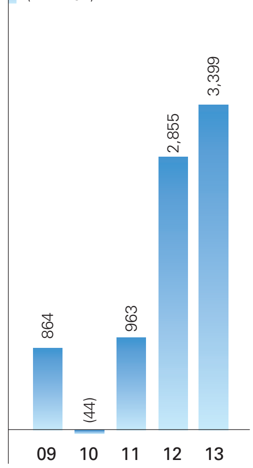
	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Net Sales	¥47,672	¥48,107	¥33,288	$507,199
Total Assets	55,715	51,916	45,160	592,778
Total Net Assets	40,153	35,899	33,318	427,204
Operating Income	4,652	4,421	1,419	49,498
Net Income	3,399	2,855	963	36,161
Per Share Data	Yen			U.S. dollars
Total Net Assets	¥1,723.43	¥1,523.46	¥1,412.47	$18.34
Net Income	149.00	123.82	41.35	1.59
Cash Dividends	22.00	18.00	13.00	0.23

Note: Transaction into U.S. dollars has been made, solely for the reader's convenience, at the rate of ¥93.99 to U.S.$1, prevailing on the Tokyo Foreign Exchange Market on March 31, 2013.

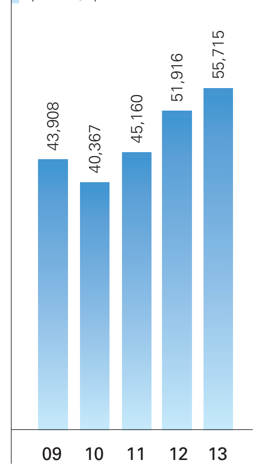
Net Sales
(¥ million)



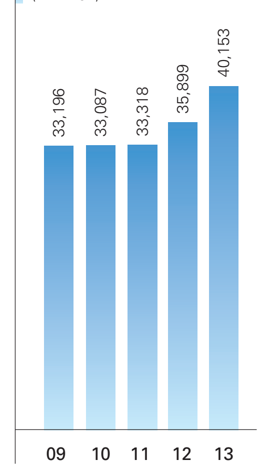
Net Income
(¥ million)



Total Assets
(¥ million)



Total Net Assets
(¥ million)



TO OUR SHAREHOLDERS

Hideaki Kuboyama
Chairman and CEO

Shigeru Koga
President

Business Environment and Results

Fiscal 2013, the term ended March 31, 2013 marks the Denyo Group's 65th business term.

For the term under review, amidst steady transitions of reconstruction demands from the Great East Japan Earthquake in Japan's economy, since the end of last year, the strong yen has been corrected by expectations for the new monetary-fiscal policy of the new administration and things have started to look a bit brighter after the new year.

On the other hand, in the rest of the world, while the US economy shows trends of a gradual recovery, the European economy continues to be weak and that influence is seen in developing nations.

Domestically, Denyo and the Denyo Group has focused on public works as well as market expansion for generators for use in power outages and even overseas demand grew steadily in the Asia and North and Central American markets with active resource development.

Based on these conditions, Denyo and Denyo Group has focused on new product development and proposal-based business, but due to a drop in large restoration generators, consolidated net sales were ¥47,672 million (US$507,199 thousand). This is a 0.9% decrease from the previous term. On the income side, due to reforms in cost rate from material cost decrease in material costs and transition to high standards in factory operation rate, allowing for stable production, consolidated operating income was ¥4,652 million (US$49,498 thousand), a 5.2% increase compared to the previous term. Income before income taxes and minority interests were ¥5,539 million (US$58,932 thousand), also a 19.9% increase compared to the previous term. From calculation of extraordinary income involving sale of the former Saitama facility, consolidated net income was ¥3,399 million (US$36,161 thousand), a 19.1% increase compared to the previous term.

The year-end dividend was an ordinary dividend of ¥12 (US$0.13) per share. The interim dividend was an ordinary dividend of ¥10 (US$0.11) per share, making the total payout for the year ¥22 (US$0.23) per share. As a result, the Company's dividend payout ratio was 17.5%.

Reinforcement of Research & Development and Training System

Denyo moved R&D focus from the former Saitama facility in February 2013, completing the new "Laboratory & Training Center" in Sakado, Saitama to begin operations in March.

This Center is equipped as a full-scale research and development environment. Our staff is striving for basic research and tackling the development of high new added-value products. The site also has large lecture, experiment and practical training spaces to train service factory staff and sales employees. The Company endeavors to create a system that the customers can rely on even more through improvement of product knowledge and service skills.

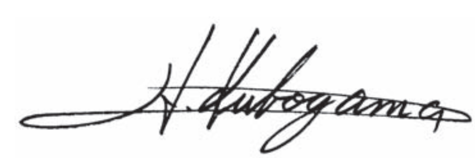
Future Focus

Looking ahead at the economy, in the domestic market we are anticipating a gradual economic recovery from reconstruction demands, support of effects from the new administration's monetary-fiscal policy as well as improvement of the export environment from the weakened yen. At the same time, we cannot be optimistic about the stagnant European economy and financial problems in the U.S.

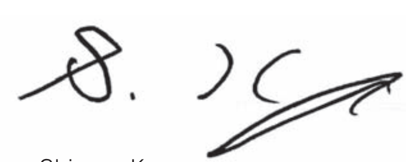
Under these conditions, Denyo Group will endeavor to actively develop products to meet the market needs, incorporating domestic and overseas demand while also focusing on cultivation of new markets.

We would like to take this opportunity to express our sincere gratitude to our shareholders for their continued patronage and support.

June 27, 2013



Hideaki Kuboyama,
Chairman and CEO



Shigeru Koga,
President

Eco-Base Equipped Engine Welder DLW-300LSE Development

DLW-300LSE

Denyo newly developed the DLW-300LSE Eco-base Engine Welder to add to the DLW series.

Special features of the base model DLW-300LS include a slim body, 100% specification rate, variable speed operation, etc. make it an engine welder with user-friendly and energy-saving functions, popular with customers.

The DLW-300LSE developed this term maintains all the special features of the DLW-300LS and applies the eco-base technology cultivated in Denyo generators, developing an eco-base engine welder.

In the unlikely event of a leak during refueling or an oil leak, by stopping the Oil-guard base on the bottom of an eco-base unit, it can be controlled to flow externally as much as possible.

Enrichment of LP Gas Emergency Generator Series

LEG-9.9USXT (single-phase)
LEG-12UST (three-phase)

Denyo developed both the single-phase LEG-9.9USXT and the three-phase LEG-12UST, adding them to the LP Gas Emergency Generator "LEG Power" series, which has been popular since sales began. The LEG Power series now includes four models.

The two newly added models are generator devices which completely differ from conventional emergency generators with noise comparable to quite offices in addition to clean exhaust. Furthermore, as both models have a low output capacity under 10kW, they don't require an electrical chief engineer for use in Japan.

After the Great East Japan Earthquake the LP Gas refueling system recovered before everything else. Fuel supply is an extremely important element in emergency power when power must be secured.

The Company endeavors to further enhance the "LEG Power" series line-up so that it can be installed as emergency power not only in LP Gas fill stations, but also public facilities, hospitals, apartment buildings, etc.

GAW-185ES2

Further Advanced Small Engine Welder/Generator GAW-185ES2

Denyo changed the model of small popular 185A engine welder/generator and began sales in August of this term.

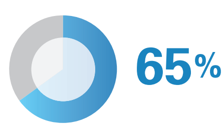
The main changes included sue of a new environmentally and economically superior engine, realizing clean exhaust and low fuel cost. Arc characteristics with added convenience when starting welding were combined with a function to protect against electric shock, which immediately lowers output voltage when in stand-by mode to allow safe and sure operation.

It also has 3kVA generation ability and with the electrical properties, it can supply high-quality power at a commercial power supply level generator thanks to its high power inverter control and original technology, allowing for secure use of even computers and other delicate equipment.

It is also now possible to include an automatic idling stop function, making it possible to cut fuel consumption costs by 40% or more.

Business Performance by Product Category

Engine Generators
(Transportable type)

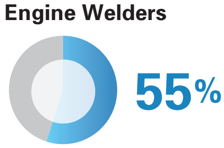


On top of a decrease in domestic shipment of large generators and shipments of corporate emergency generators remaining healthy, the overseas operations were also sound in North America and Asia.

As a result, total sales of generators increased by 1.1% over the previous term to ¥36,849 million (US$392,056 thousand).

The domestic market share for this product category is 65%.

Engine Welders

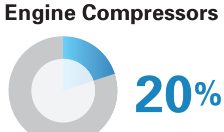


On top of steady shipments of small engine welders with the increase of construction domestically, overseas operations are also steady overall.

As a result, total sales in this department increased by 25.8% over the previous term to ¥4,835 million (US$51,441 thousand).

The domestic market share for this product category is 55%.

Engine Compressors



Domestically the main rental market decreased and overseas shipments also didn't show much growth.

As a result, total sales in this department decreased by 26.4% over the previous term to ¥806 million (US$8,575 thousand).

The domestic market share for this product category is 20%.

Other Products

In other segments, shipments of vehicle for high lift work increased but stock sales decreased.

As a result, total sales in this department decreased by 22.7% under the previous term to ¥5,182 million (US$55,128 thousand).

New Laboratory & Training Center

Completion of New R&D Center

Denyo moved R&D focus from the former Saitama facility in Kawagoe, Saitama to the new facility in Sakado, Saitama, completed in February 2013.

The new facility is called "Laboratory & Training Center" and began operations in March. This Center is equipped as a full-scale research and development environment. Our staff is striving for basic research and tackling the development of high new added-value products. The site also has large lecture, experiment and practical training spaces to train service factory staff and sales employees in order to create a system that the customers can rely on even more through improvement of product knowledge and service skills.

Meeting of research and development

Training in an actual machine

This Center not only adopts the newest environmental technology, it also achived the highest S ranking of Comprehensive Assessment System for Built Environment Efficiency (CASBEE) as a result of considerations for making the premises green.

The R&D operations of Denyo Group are carried on here and R&D is handled by the staff in each group company and collaborations. Group R&D staff includes 84 people, making up 10% of total employees. Total R&D costs in this consolidated accounting period were ¥594 million (US$6,320 thousand). Industrial property rights held by Denyo Group at the end of this consolidated accounting period included 507 items domestically and internationally.

CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year 2013

Year ended March 31, 2013

FINANCIAL REVIEW

Business Environment and Results

The business environment surrounding the Denyo Group showed expansion in the domestic market for generators for public construction and power outages. Overseas, demand in the North American and Asian markets also grew steadily based on active resource development.

Based on these conditions, Denyo Group has focused on new product development and proposal-based business, but business has been tough due to a drop in large restoration generators. The result is that consolidated net sales for this consolidated accounting period of this group were ¥47,672 million (US$507,199 thousand), a 0.9% decrease from the previous term. On the income side, cost reforms were made due to material cost decrease in material costs and transition to high standards in factory operation rate. As a result, this term's consolidated operating income was ¥4,652 million (US$49,498 thousand), a 5.2% increase. Consolidated income before income taxes and minority interests were ¥5,539 million (US$58,932 thousand), a substantial 19.9% increase compared to the previous term. As a result, consolidated net income increased by 19.1% over the previous term to ¥3,399 million (US$36,161 thousand). This increase is from the extraordinary income accounting for the sale of the former Saitama facilities.

Looking at consolidated net income by product category, generators increased by ¥36,849 million (US$392,056 thousand), a 1.1% increase over the previous term. Welders were ¥4,835 million (US$51,441 thousand), a 25.8% increase from the previous term and compressors were ¥806 million (US$8,575 thousand), a 26.4% decrease from the previous term. Also, other products had sales of ¥5,182 million (US$55,128 thousand), a 22.7% decrease from the previous term.

Segment Information

If these results are separated by region, in Japan, in addition to an increase of emergency generator shipments for offices and factories, due to the high disaster awareness, overseas shipments also steadily grew, but with less shipments of medium and large generators for restoration of the disaster sites, net sales were ¥33,409 million (US$355,451 thousand), a 6.3% and ¥2,256 million (US$23,998 thousand) decrease. On the other hand, operating income was ¥3,988 million (US$42,426 thousand), a 3.8% and ¥145 million (US$1,544 thousand) increase over the previous term.

Also, with gradual economic recovery and active resource development of shale gas, results in the U.S. were steady growth of the generator rental market and net sales were ¥9,060 million (US$96,397 thousand), a 14.5% and ¥1,149 million (US$12,225 thousand) increase from the previous term. Operating income was ¥229 million (US$2,431 thousand), a 16.2% and ¥32 million (US$339 thousand) increase over the previous term.

At the same time, in Asia, a slowing economy was seen from the stagnant European economy, but domestic demand was healthy and because shipments for infrastructure improvements and mine development in Australia grew steadily, net sales were ¥4,622 million (US$49,169 thousand), an increase of ¥634 million (US$6,746 thousand) and 15.9% from the previous term. Meanwhile, because of the influence of increase of fixed costs due to Denyo Vietnam Co., Ltd. beginning actual operations, operating income for this term was ¥197 million (US$2,091 thousand), a 24.3% and ¥63 million (US$672 thousand) decrease from the previous term.

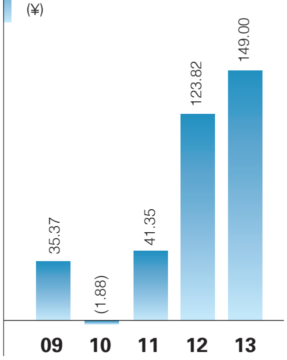
Europe was influenced by the strong yen but there was also an increase of welder shipments and net sales were ¥581 million (US$6,182 thousand). This was a 6.9% and ¥37 million (US$397 thousand) increase from the previous term and operating income was ¥10 million (US$108 thousand), a 14.1% and ¥1 million (US$13 thousand) increase from the previous term.

Financial Position

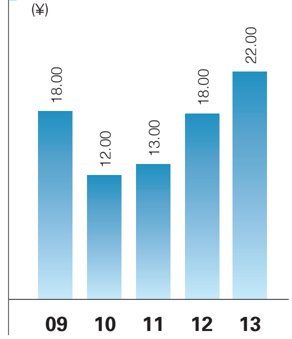
Total assets at the end of the fiscal year amounted to ¥55,715 million (US$592,778 thousand), an increase of ¥3,800 million (US$40,425 thousand) over the previous term. The equity ratio was 70.4%, an increase of 2.8 points from the previous consolidated accounting year.

Total current assets at the end of the term were ¥36,414 million (US$387,422 thousand), an increase of

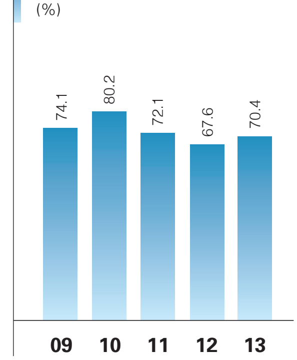
Net Income per Share
(¥)



Cash Dividends per Share
(¥)



Equity Ratio
(%)



¥2,413 million (US$25,670 thousand) over the previous term. This change was due mainly to an increase in cash deposits of ¥4,232 million (US$45,025 thousand), and a decrease in notes and accounts receivable of ¥1,958 million (US$20,837 thousand).

Fixed assets at the end of the fiscal term were ¥19,301 million (US$205,356 thousand), an increase of ¥1,386 million (US$14,755 thousand) over the previous term. This owes largely to an increase in tangible fixed assets of ¥434 million (US$4,617 thousand), and an increase in investment securities of ¥1,497 million (US$15,925 thousand) due to re-evaluation of stockholdings.

Total liabilities at the end of the fiscal term were ¥15,562 million (US$165,574 thousand), a decrease of ¥455 million (US$4,843 thousand) over the previous term. Current liabilities also decreased by ¥540 million (US$5,750 thousand) to a total of ¥12,421 million (US$132,151 thousand). This was mainly due to an increase of ¥561 million (US$5,972 thousand) in interim payments and a decrease of income taxes payable, etc.

Fixed liabilities at term end were ¥3,141 million (US$33,423 thousand), an increase of ¥85 million (US$907 thousand) over the previous term. This increase was due to the ¥463 million (US$4,927 thousand) increase in deferred tax liabilities and decrease of ¥400 million (US$4,256 thousand) in long-term borrowing.

Total equity including minority interest at term end was ¥40,153 million (US$427,204 thousand), an increase of ¥4,255 million (US$45,268 thousand) from the previous term. This was due primarily to the appropriation of net income of ¥3,399 million (US$36,161 thousand) and the ¥813 million (US$8,651 thousand) increase in other difference in securities valuation.

Cash Flows

Taking a look at the cash flow, funds used in operating activities in this consolidated accounting year were 4,755 million (US$50,590 thousand). The previous term resulted in a capital decrease of ¥880 million (US$9,363 thousand). This was due mainly to the fact that net income before income taxes came to ¥5,539 million (US$58,932 thousand), while accounts receivable decreased by ¥2,276 million (US$24,211 thousand), corporate tax increased by ¥2,563 million (US$27,266 thousand), stocks and bonds decreased by ¥432 million (US$4,600 thousand).

Funds obtained as a result of investment activities amounted to ¥169 million (US$1,798 thousand). The previous term funds used ¥2,268 million (US$24,134 thousand). This was due to expenditures for the acquisition of tangible fixed assets of ¥1,369 million (US$14,562 thousand), revenue from sale of fixed assets of ¥1,043 million (US$11,095 thousand) and ¥500 million (US$5,320 thousand) refund of long-term deposits.

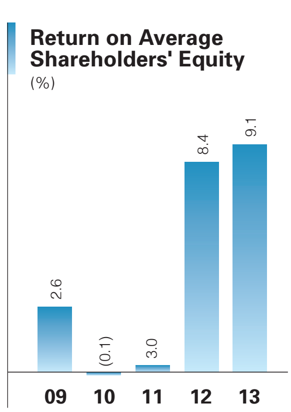
Funds used in financing activities amounted to ¥1,006 million (US$10,705 thousand). The previous term finished with an increase of ¥780 million (US$8,302 thousand). This was due mainly to repayment of ¥400 million (US$4,256 thousand) in long-term borrowing, 298 million (US$3,172 thousand) in payments from acquisitions and expenditures of ¥459 million (US$4,883 thousand) for the payment of dividends.

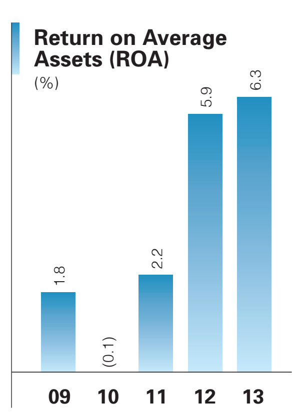
As a result, the consolidated balance of cash and cash equivalents at term-end increased by ¥4,232 million (US$45,025 thousand) over the previous term to ¥10,521 million (US$111,933 thousand). This is mainly due to income before income taxes accounting for ¥5,539 million (US$58,932 thousand) and also due to a decrease in trade receivable.

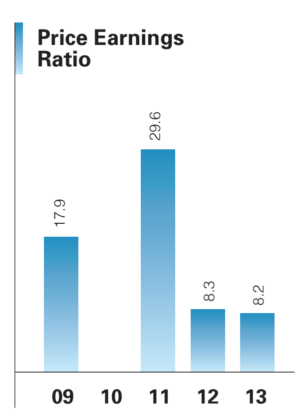
Dividends

In its profit sharing, Denyo recognizes the importance of returning profits to shareholders, while investing in equipment and research & development in order to strengthen future competitiveness and profitability and its policy is to implement an interim and term-end dividend payouts of distribution of results comprehensively calculated by achievement and payout ratio.

Under this basic policy, we implemented an interim dividend of ¥10 (US$0.11) per share and a term-end payout of ¥12 (US$0.13) per share. As a result, the total payout for the year was ¥22 (US$0.23) per share. As a result, the Company's dividend payout ratio was 17.5%.







CONSOLIDATED BALANCE SHEETS

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2013**	**2012**	**2013**
Current Assets:			
Cash and cash equivalents (Note 14)	¥10,521	¥ 6,289	$111,933
Receivables (Note 14):			
Trade notes	5,829	7,146	62,022
Trade accounts	9,840	9,994	104,693
Associated companies (Note 20)	2,221	2,743	23,629
Other	103	115	1,093
Allowance for doubtful receivables	(50)	(58)	(528)
Inventories (Note 5)	6,972	6,909	74,179
Deferred tax assets (Note 11)	692	710	7,358
Prepaid expenses and other current assets	286	153	3,043
Total current assets	36,414	34,001	387,422
Property, Plant and Equipment:			
Land	4,717	5,338	50,184
Buildings and structures	8,570	7,632	91,183
Machinery and equipment (Note 13)	4,302	3,407	45,770
Furniture and fixtures	1,337	1,307	14,225
Construction in progress	93	570	993
Total	19,019	18,254	202,355
Accumulated depreciation	(7,691)	(7,359)	(81,828)
Net property, plant and equipment	11,328	10,895	120,527
Investments and Other Assets:			
Investment securities (Notes 4 and 14)	6,542	5,286	69,606
Investments in and advances to associated companies (Note 6)	851	610	9,057
Deferred tax assets (Note 11)	40	87	429
Other assets (Note 13)	540	1,037	5,737
Total investments and other assets	7,973	7,020	84,829
Total	¥55,715	¥51,916	$592,778

See notes to consolidated financial statements.

Liabilities and Equity	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1) 2013
Current Liabilities:			
Short-term bank loans (Notes 7 and 14)	¥ 547	¥ 347	$ 5,824
Current portion of long-term debt (Notes 7 and 14)	400	402	4,260
Payables (Note 14):			
Trade notes	1,908	2,469	20,300
Trade accounts	6,741	6,205	71,722
Associated companies	95	168	1,013
Other	165	136	1,758
Accrued income taxes (Note 11)	1,125	1,687	11,972
Accrued expenses	1,140	968	12,128
Provision for product warranties	205	310	2,184
Other current liabilities	95	269	990
Total current liabilities	12,421	12,961	132,151
Long-Term Liabilities:			
Long-term debt (Notes 7 and 14)	803	1,204	8,538
Liability for retirement benefits (Note 9)	494	625	5,257
Deferred tax liabilities (Note 11)	1,427	964	15,181
Other long-term liabilities	417	263	4,447
Total long-term liabilities	3,141	3,056	33,423
Commitments and Contingent Liabilities (Notes 13, 15 and 16)			
Equity (Note 10):			
Common stock, Authorized, 97,811,000 shares; Issued, 24,359,660 shares in 2013 and 2012	1,955	1,955	20,798
Capital surplus	1,755	1,754	18,669
Retained earnings	35,398	32,286	376,617
Treasury stock - at cost 1,608,646 shares in 2013 and 1,308,576 shares in 2012	(1,312)	(1,014)	(13,958)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,118	1,304	22,530
Deferred gain (loss) on derivatives under hedge accounting	2	(0)	21
Foreign currency translation adjustments	(706)	(1,167)	(7,507)
Total	39,210	35,118	417,170
Minority interests	943	781	10,034
Total equity	40,153	35,899	427,204
Total	¥55,715	¥51,916	$592,778

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net Sales (Note 20)	¥47,672	¥48,107	$507,199
Cost of Sales	36,110	36,707	384,191
Gross profit	11,562	11,400	123,008
Selling, General and Administrative Expenses (Note 12)	6,910	6,979	73,510
Operating income	4,652	4,421	49,498
Other Income (Expenses):			
Interest and dividend income	141	167	1,497
Interest expense	(31)	(20)	(334)
Gain (loss) on sale or disposal of property, plant and equipment	531	(20)	5,654
Gain on sale of investment securities (Note 4)	0		3
Foreign exchange gain (loss)	60	(45)	633
Loss on revaluation of investment securities		(10)	
Equity in earnings of associated companies	77	35	824
Rent income	70	84	748
Commitment fee	(19)	(19)	(201)
Other – net	58	28	610
Other income – net	887	200	9,434
Income Before Income Taxes and Minority Interests	5,539	4,621	58,932
Income Taxes (Note 11):			
Current	1,980	1,856	21,069
Deferred	78	(187)	823
Total income taxes	2,058	1,669	21,892
Net Income Before Minority Interests	3,481	2,952	37,040
Minority interests	82	97	879
Net income	3,399	2,855	36,161
Minority interests	82	97	879
Net income before minority interests	3,481	2,952	37,040
Other Comprehensive Income (Note 17):			
Unrealized gain on available-for-sale securities	811	324	8,627
Deferred gain (loss) on derivatives under hedge accounting	2	(11)	24
Foreign currency translation adjustments	556	(307)	5,913
Share of other comprehensive income in associates	17	1	178
Total other comprehensive income	1,386	7	14,742
Comprehensive income (Note 17)	¥ 4,867	¥ 2,959	$ 51,782
Total comprehensive income attributable to (Note 17):			
The Company's shareholders	¥4,677	¥2,903	$49,760
Minority interests	190	56	2,022

	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Basic net income (Note 18)	¥149.00	¥123.82	$1.59
Cash dividends applicable to the year	22.00	18.00	0.23

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended March 31, 2013 and 2012

						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
	(Thousands)	Millions of yen									
Balance at April 1, 2011	23,055	¥1,955	¥1,754	¥30,556	¥(1,787)	¥979	¥11	¥(903)	¥32,565	¥753	¥33,318
Net income				2,855					2,855		2,855
Cash dividends, ¥15 per share				(347)					(347)		(347)
Purchase of treasury stock	(5)				(5)				(5)		(5)
Retirement of treasury stock				(778)	778						
Selling of treasury stock	1			0	0				0		0
Net change in the year						325	(11)	(264)	50	28	78
Balance at March 31, 2012	23,051	1,955	1,754	32,286	(1,014)	1,304	(0)	(1,167)	35,118	781	35,899
Net income				3,399					3,399		3,399
Cash dividends, ¥20 per share				(459)					(459)		(459)
Purchase of treasury stock	(301)				(299)				(299)		(299)
Selling of treasury stock	1		1		1				2		2
Change of scope of equity method				172					172		172
Net change in the year						814	2	461	1,277	162	1,439
Balance at March 31, 2013	22,751	¥1,955	¥1,755	¥35,398	¥(1,312)	¥2,118	¥2	¥(706)	¥39,210	¥943	¥40,153
		Thousands of U.S. dollars (Note 1)									
Balance at March 31, 2012		$20,798	$18,667	$343,504	$(10,783)	$13,872	$(3)	$(12,425)	$373,630	$8,305	$381,935
Net income				36,161					36,161		36,161
Cash dividends, $0.21 per share				(4,883)					(4,883)		(4,883)
Purchase of treasury stock					(3,184)				(3,184)		(3,184)
Selling of treasury stock			2		9				11		11
Change of scope of equity method				1,835					1,835		1,835
Net change in the year						8,658	24	4,918	13,600	1,729	15,329
Balance at March 31, 2013		$20,798	$18,669	$376,617	$(13,958)	$22,530	$21	$(7,507)	$417,170	$10,034	$427,204

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating Activities:			
Income before income taxes and minority interests	¥ 5,539	¥ 4,621	$ 58,932
Adjustments for:			
Income taxes – paid	(2,563)	(352)	(27,266)
Depreciation and amortization	638	515	6,789
(Gain) loss on sale or disposal of property, plant and equipment - net	(532)	20	(5,655)
Loss on revaluation of investment securities		10	
Equity in earnings of associated companies	(77)	(35)	(824)
Changes in assets and liabilities, net of effects:			
Decrease (increase) in trade notes and accounts receivable	2,276	(6,388)	24,211
Decrease (increase) in inventories	159	(951)	1,697
Decrease in interest and dividend receivable	31	13	330
(Decrease) increase in trade notes and accounts payable	(432)	1,339	(4,600)
Increase in interest payable	0	0	3
(Decrease) increase in provision for allowance for doubtful accounts	(10)	17	(108)
Decrease in liability for retirement benefits	(131)	(147)	(1,390)
Other – net	(143)	458	(1,529)
Total adjustments	(784)	(5,501)	(8,342)
Net cash provided by (used in) operating activities	4,755	(880)	50,590
Investing Activities:			
Proceeds from sales of property, plant and equipment	1,043	1	11,095
Payments for purchase of property, plant and equipment	(1,369)	(2,281)	(14,562)
Proceeds from sales of securities	1	6	12
Payments for purchase of securities	(2)	(2)	(21)
Investment in loans receivable	(15)	(12)	(160)
Collections of loans receivable	51	40	547
Decrease in time deposit	500		5,320
Other – net	(40)	(20)	(433)
Net cash provided by (used in) investing activities	169	(2,268)	1,798
Financing Activities:			
Increase (decrease) in short-term loans – net	200	(423)	2,131
Proceeds from long-term debt		1,600	
Repayment of long-term debt	(400)	(8)	(4,256)
Purchase of treasury stock	(298)	(5)	(3,172)
Dividends paid	(459)	(347)	(4,883)
Other – net	(49)	(37)	(525)
Net cash provided by (used in) financing activities	(1,006)	780	(10,705)
Foreign currency translation adjustments on cash and cash equivalents	314	(135)	3,342
Net increase (decrease) in cash and cash equivalents	4,232	(2,503)	45,025
Cash and cash equivalents, beginning of year	6,289	8,792	66,908
Cash and cash equivalents, end of year	¥10,521	¥ 6,289	$111,933

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2013 and 2012

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Denyo Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.99 to $1, the approximate rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2013 include the accounts of the Company and its 9 subsidiaries, including mainly "Denyo Kosan Co., Ltd.," "Nishinihon Generator Mfg. Co., Ltd.," "Denyo America Corporation," "Denyo Manufacturing Corporation," "Denyo Asia Pte. Ltd.," "Denyo United Machinery Pte. Ltd.," "Denyo Europe B.V." and "Denyo Vietnam Co., Ltd." (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The investments in "New Japan Machinery Corporation" and "P.T. Dein Prima Generator," (the investment in "New Japan Machinery Corporation" in 2012) associated companies, are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

"Denyo America Corporation," "Denyo Manufacturing Corporation," "Denyo Asia Pte. Ltd.," "Denyo United Machinery Pte. Ltd.," "Denyo Europe B.V." and "Denyo Vietnam Co., Ltd." and one other were consolidated using the financial statements as of December 31 because the difference between the fiscal year end date of the subsidiaries and that of the Company did not exceed three months. Significant transactions between December 31 and March 31 are reflected in the accompanying consolidated financial statements.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

d. Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which are exposed to a minor risk of fluctuations in value.

e. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for depending on management's intent. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method for finished products and work in process, and by the average method for raw materials, or net selling value.

h. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings of the Company and its consolidated domestic subsidiaries after April 1, 1998, and all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 7 to 47 years for buildings and structures, and from 2 to 11 years for machinery and equipment.

i. Provision for Product Warranties

The provision for product warranties is recorded to provide for future potential costs, such as costs related to after-sales services within the warranty period based on past experience.

j. Accrued Bonuses

Accrued bonuses to employees are provided for at the estimated amounts which the Company and its domestic subsidiaries are obligated to pay to employees after the fiscal year end, based on services provided during the current period.

k. Retirement and Pension Plans

The Company and its domestic subsidiaries maintain a defined benefit pension plan. Some foreign subsidiaries maintain defined contribution pension plans.

Accrued severance indemnities are accrued based on an estimated retirement benefit obligation, considering the estimated fair value of plan assets at the balance sheet date.

The unrecognized actuarial gains and losses are amortized on a straight-line basis over a period of 5 years from the year incurred.

l. Research and Development Costs

Research and development costs are charged to income as incurred.

m. Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

n. Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and audit & supervisory board members are accrued at the year-end to which such bonuses are attributable.

o. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income and comprehensive income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the accompanying consolidated statement of income and comprehensive income.

q. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

r. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest rates and raw material costs. Foreign exchange forward contracts, currency swaps, interest rate swaps and commodity swaps are utilized by the Group to reduce the risk of fluctuation of foreign currency exchange, interest rate and raw material costs. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives, except for those which qualify for hedge accounting, are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

The commodity swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) on derivatives under hedge accounting as a separate component of equity.

s. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Cash dividends per share presented in the accompanying consolidated statement of income and comprehensive income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. Consumption Taxes

Consumption taxes are not included in sales, cost of sales and selling, general and administrative expenses, etc.

u. New Accounting Pronouncements

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. Accounting for Stock Granting Trust ("J-ESOP")

The Company has introduced a Stock Granting Trust ("J-ESOP") for the purpose of enhancing the benefit package to employees and providing incentives for raising corporate value.

The Company and the Trust Account are treated as a single entity for accounting purposes, reflecting economic reality. Accordingly, treasury stocks, assets, liabilities, expenses and profits held by the Trust Account were recorded in the accompanying consolidated balance sheet, consolidated statement of income and comprehensive income, changes in equity and cash flows. The Company shares held by the Trust Account are recorded as treasury stock.

The Trust Account held 798,300 and 799,300 treasury stocks as of March 31, 2013 and 2012, respectively.

4. Investment Securities

Investment securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Non-current:			
Marketable equity securities	¥5,298	¥4,039	$56,373
Marketable trust fund investments and other	162	166	1,726
Non-marketable equity securities	1,082	1,081	11,507
Total	¥6,542	¥5,286	$69,606

The cost and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012 were as follows:

March 31, 2013	Millions of yen Cost	Unrealized Gains	Unrealized Losses	Fair Value	Thousands of U.S. dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:								
Available-for-sale:								
Equity securities	¥2,042	¥3,258	¥2	¥5,298	$21,734	$34,661	$22	$56,373
Trust fund investments and other	177	1	16	162	1,880	14	168	1,726

March 31, 2012	Millions of yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,042	¥2,007	¥10	¥4,039
Trust fund investments and other	179	1	14	166

The information of available-for-sale securities which were sold during the years ended March 31, 2013 and 2012, is as follows:

March 31, 2013	Millions of yen Proceeds	Realized Gains	Realized Loss	Thousands of U.S. dollars Proceeds	Realized Gains	Realized Loss
Available-for-sale:						
Trust fund investments and other	¥1	¥0	¥—	$12	$0	$—

March 31, 2012	Millions of yen Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Trust fund investments and other	¥6		

5. Inventories

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Finished products	¥4,075	¥4,018	$43,350
Work in process	566	446	6,025
Raw materials and supplies	2,331	2,445	24,804
Total	¥6,972	¥6,909	$74,179

6. Investments in Associated Companies

Investments in associated companies at March 31, 2013 and 2012 were as follows:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Investments:			
New Japan Machinery Corporation	¥529	¥487	$5,626
P.T. Dein Prima Generator	322	123	3,431
Total	¥851	¥610	$9,057

7. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans at March 31, 2013 and 2012 consisted of bank overdrafts. The weighted-average interest rate applicable to the short-term bank loans was 0.8% and 0.9% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unsecured loans from banks, due serially to 2016 with interest rates 1.5%	¥1,200	¥1,600	$12,767
Obligations under finance leases	3	6	31
Total	1,203	1,606	12,798
Less current portion	(400)	(402)	(4,260)
Long-term debt, less current portion	¥ 803	¥1,204	$ 8,538

Annual maturities of long-term debt at March 31, 2013, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 400	$ 4,260
2015	402	4,273
2016	401	4,263
2017	0	2
Total	¥1,203	$12,798

8. Commitment Line Contracts

In order to raise funds efficiently, the Company has entered into a commitment line contract with three financial institutions, of which Mizuho Bank, Ltd. is the arranger. The contract provided the Company with a commitment line of ¥3,000 million ($31,918 thousand) as of March 31, 2013. The Company had no borrowings outstanding under the agreement as of March 31, 2013.

9. Retirement and Pension Plans

The Company has a defined benefit pension plan and domestic subsidiaries also participate in the same plan. Some foreign subsidiaries have defined contribution plans. In addition, the Company and domestic subsidiaries have a stock granting retirement plan.

The projected benefit obligation of the subsidiary is calculated using a simplified method, which is permitted for small companies in accordance with the accounting standard for retirement benefits.

The liability for employees' retirement benefits at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ 2,451	¥ 2,359	$ 26,073
Fair value of plan assets	(2,065)	(1,808)	(21,971)
Unrecognized actuarial gain/loss	(9)	7	(94)
Liability for stock granting retirement	117	67	1,249
Net liability	¥ 494	¥ 625	$ 5,257

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥132	¥139	$1,405
Interest cost	40	39	431
Expected return on plan assets	(21)	(19)	(228)
Recognized actuarial loss	(7)	(9)	(73)
Stock granting cost	56	29	596
Net periodic benefit costs	¥200	¥179	$2,131

Assumptions used for the years ended March 31, 2013 and 2012 are set forth as follows:

	2013	2012
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	1.25%	1.25%
Recognition period of actuarial gain/loss	5 years	5 years

10. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act, also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights. The Company retired 1 million shares of treasury stock by a resolution of the Board of Directors for the year ended March 31, 2012.

11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38% for the year ended March 31, 2013, and 41% for the year ended March 31, 2012.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Accrued bonuses	¥ 191	¥ 176	$ 2,029
Provision for product warranties	79	118	837
Accrued enterprises taxes	89	135	948
Unrealized gain on sale of inventory	69	78	733
Unrealized gain on sale of property	13	41	137
Liability for retirement benefits	172	211	1,827
Loss on revaluation of investment securities	56	57	601
Tax loss carryforwards	559	310	5,947
Other	323	317	3,445
Less valuation allowance	(652)	(405)	(6,940)
Total	¥ 899	¥1,038	$ 9,564
Deferred tax liabilities:			
Reserve for deferred gains on sales of property	¥ 405	¥ 503	$ 4,305
Unrealized gain on available-for-sale securities	1,129	684	12,016
Other	60	18	637
Total	¥1,594	¥1,205	$16,958
Net deferred tax liabilities	¥ (695)	¥ (167)	$ (7,394)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income and comprehensive income for the year ended March 31, 2012, is as follows:

	2012
Normal effective statutory tax rate	40.7%
Expenses not deductible for income tax purposes	1.2
Income not recognizable for income tax purposes	(0.3)
Per capita portion of inhabitants' taxes	0.4
Tax credits	(3.4)
Lower income tax rates applicable to income in certain foreign countries	(1.7)
Valuation allowance	(0.6)
Other – net	(0.2)
Actual effective tax rate	36.1%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income and comprehensive income for the year ended March 31, 2013, is less than 5% of the normal effective statutory tax rate, a reconciliation is omitted.

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards.

At March 31, 2013, some subsidiaries have tax loss carryforwards aggregating approximately ¥560 million (US$5,953 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 17	$ 182
2017	138	1,468
2018	326	3,463
2019 and thereafter	79	840
Total	¥560	$5,953

12. Research and Development Costs

Research and development costs charged to income were ¥595 million (US$6,330 thousand) and ¥570 million for the years ended March 31, 2013 and 2012, respectively.

13. Leases

The Group leases vehicles and software.

Lease payments under finance leases for the years ended March 31, 2013 and 2012 were ¥88 million (US$938 thousand) and ¥127 million, respectively.

Obligations under finance leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥0	¥2	$4
Due after one year	3	4	27
Total	¥3	¥6	$31

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2013	Machinery and Equipment	Furniture and Fixtures, Rental Assets	Software	Total	Machinery and Equipment	Furniture and Fixtures, Rental Assets	Software	Total
Acquisition cost	¥197	¥—	¥37	¥234	$2,101	$—	$391	$2,492
Accumulated depreciation	168		36	204	1,787		385	2,172
Net leased property	¥ 29	¥—	¥ 1	¥ 30	$ 314	$—	$ 6	$ 320

	Millions of yen			
March 31, 2012	Machinery and Equipment	Furniture and Fixtures, Rental Assets	Software	Total
Acquisition cost	¥310	¥35	¥353	¥698
Accumulated depreciation	248	31	302	581
Net leased property	¥ 62	¥ 4	¥ 51	¥117

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥20	¥87	$208
Due after one year	10	30	112
Total	¥30	¥117	$320

Depreciation expenses, which are not reflected in the accompanying consolidated statement of income and comprehensive income, computed by the straight-line method, were ¥87 million (US$926 thousand) and ¥124 million for the years ended March 31, 2013 and 2012, respectively.

14. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

The Group invests cash surpluses in low-risk financial assets. Bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 15.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities, mainly equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are almost less than six months. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Maturities of bank loans are less than four years after the balance sheet date. Although a part of such bank loans is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include interest rate swaps, commodity swaps, forward foreign currency contracts and currency swap contracts, which are used to manage exposure to market risks from changes in interest rates of bank loans, from changes in raw material price, and from changes in foreign currency exchange rates of receivables and advances. Please see Note 15 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by the Sales Planning Department to identify the default risk of customers at an early stage. Each consolidated subsidiary also manages its credit risk from receivables by the equivalent method.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2013.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. The Group reduces such foreign exchange risk by balancing foreign currency trade receivables and payables. Forward foreign currency contracts and currency swap contracts are used for some foreign currency trade receivables and advances.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and commodity swaps are used to manage exposure to market risks from changes in raw material price.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which prescribe the authority and the limit for each transaction. The transaction data is reported to the management meeting on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the corporate treasury department.

(4) Fair values of financial instruments

Fair values of financial instruments are based on a quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 15 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Carrying Amount	Fair Value	Unrealized Gain	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥10,521	¥10,521	¥ —	$111,933	$111,933	$ —
Receivables	17,943	17,943	—	190,909	190,909	—
Investment securities	5,461	5,461	—	58,099	58,099	—
Total	¥33,925	¥33,925	¥ —	$360,941	$360,941	$ —
Short-term bank loans	¥ 547	¥ 547	¥ —	$ 5,824	$ 5,824	$ —
Payables	8,909	8,909	—	94,793	94,793	—
Long-term debt	1,203	1,204	(1)	12,798	12,814	(16)
Total	¥10,659	¥10,660	¥(1)	$113,415	$113,431	$(16)
Derivatives	¥ (222)	¥ (222)	¥ —	$ (2,360)	$ (2,360)	$ —

March 31, 2012	Millions of yen		
	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 6,289	¥ 6,289	¥—
Receivables	19,940	19,940	—
Investment securities	4,205	4,205	—
Total	¥30,434	¥30,434	¥—
Short-term bank loans	¥ 347	¥ 347	¥—
Payables	8,978	8,978	—
Long-term debt	1,606	1,602	4
Total	¥10,931	¥10,927	¥ 4
Derivatives	¥ (40)	¥ (40)	¥—

Cash and cash equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.
Marketable and investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments.
Receivables and payables
The carrying values of receivables and payables approximate fair value because of their short maturities.
Short-term bank loans and long-term debt
The carrying values of short-term bank loans approximate fair value because of their short maturities.

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.
Derivatives
The information on fair value for derivatives is included in Note 15.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥1,081	¥1,081	$11,507

(5) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2013	Millions of yen		Thousands of U.S. dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥10,521	¥—	$111,933	$—
Receivables	17,944	—	190,908	—
Investment securities	85	—	908	—
Total	¥28,550	¥—	$303,749	$—

Please see Note 7 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

15. Derivatives

The Group enters into derivatives, in the normal course of business, to reduce the exposure to fluctuations in foreign exchange rates, raw material prices and interest rates. The primary derivative instruments used by the Company are foreign currency forward contracts, currency swap contracts, commodity swaps and interest rate swaps.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied

At March 31, 2013	Millions of yen				Thousands of U.S. dollars			
	Contract Amount	Contract Amount due after One Year	Fair Value	Loss	Contract Amount	Contract Amount due after One Year	Fair Value	Loss
Foreign currency forward contracts:								
Selling U.S.$	¥ 31	¥ —	¥ (2)	¥ (2)	$ 326	$ —	$ (24)	$ (24)
Currency swap contracts:								
Selling U.S.$	1,596	1,596	(223)	(223)	16,984	16,984	(2,369)	(2,369)

At March 31, 2012	Millions of yen			
	Contract Amount	Contract Amount due after One Year	Fair Value	Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 320	¥ —	¥ (9)	¥ (9)
Currency swap contracts:				
Selling U.S.$	1,414	1,414	(31)	(31)

Derivative transactions to which hedge accounting is applied

At March 31, 2013	Hedged Item	Millions of yen		
		Contract Amount	Contract Amount due after One Year	Fair Value
Commodity swaps:				
(fixed price payment, quoted price receipt)	Inventories	¥ 25	¥ —	¥ 3
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	1,200	800	—

At March 31, 2012	Hedged Item	Millions of yen		
		Contract Amount	Contract Amount due after One Year	Fair Value
Commodity swaps:				
(fixed price payment, quoted price receipt)	Inventories	¥ 21	¥ —	¥ (0)
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	1,600	1,200	—

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 14 is included in that of hedged items (i.e., long-term debt).

At March 31, 2013	Hedged Item	Thousands of U.S. dollars		
		Contract Amount	Contract Amount due after One Year	Fair Value
Commodity swaps:				
(fixed price payment, quoted price receipt)	Inventories	$ 268	$ —	$34
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	12,767	8,512	—

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16. Contingent Liabilities

At March 31, 2013, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Export trade bill discounted	¥17	$180

17. Other Comprehensive Income

The components of other comprehensive income, including reclassification adjustments and tax effects for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥1,257	¥ 385	$13,378
Reclassification adjustments to profit or loss	(0)	—	(3)
Amount before income tax effect	1,257	385	13,375
Income tax effect	(446)	(61)	(4,748)
Total	811	324	8,627
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ 3	¥ (5)	$ 31
Reclassification adjustments to profit or loss	0	(14)	7
Amount before income tax effect	3	(19)	38
Income tax effect	(1)	8	(14)
Total	2	(11)	24
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 556	¥(307)	$ 5,913
Total	556	(307)	5,913
Share of other comprehensive income in associates:			
Gains arising during the year	¥ 17	¥ 1	$ 178
Total	17	1	178
Total other comprehensive income	¥1,386	¥ 7	$14,742

18. Net Income per Share

Basis for the computation of net income per share ("EPS") for the years ended March 31, 2013 and 2012, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥3,399	22,810	¥149.00	$1.59
For the year ended March 31, 2012:				
Basic EPS				
Net income available to common shareholders	¥2,855	23,054	¥123.82	

19. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments
   The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, geographic segments of the Group consist of Japan, United States of America, Asia and Europe. Japan includes the Company, "Denyo Kosan Co., Ltd." and "Nishinihon Generator Mfg. Co., Ltd." United States of America mainly includes "Denyo Manufacturing Corporation." Asia mainly includes "Denyo United Machinery Pte. Ltd." and "Denyo Vietnam Co., Ltd." Europe consists of "Denyo Europe B.V."
2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment
   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets and other items is as follows.

	Millions of yen						
	2013						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥33,409	¥9,060	¥4,622	¥581	¥47,672	¥ —	¥47,672
Intersegment sales or transfers	5,904	161	619		6,684	(6,684)	
Total	39,313	9,221	5,241	581	54,356	(6,684)	47,672
Segment profit	3,988	228	197	10	4,423	229	4,652
Segment assets	49,129	3,502	6,515	617	59,763	(4,048)	55,715
Other:							
Depreciation	356	52	229	1	638		638
Investments in associated companies	529		323		852	(1)	851
Increase in property, plant and equipment and intangible assets	¥ 1,084	¥ 237	¥ 137	¥ 0	¥ 1,458	¥ —	¥ 1,458

	Millions of yen						
	2012						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥35,664	¥7,911	¥3,988	¥544	¥48,107	¥ —	¥48,107
Intersegment sales or transfers	6,504	184	123		6,811	(6,811)	
Total	42,168	8,095	4,111	544	54,918	(6,811)	48,107
Segment profit	3,842	197	260	9	4,308	113	4,421
Segment assets	46,752	3,327	5,895	463	56,437	(4,521)	51,916
Other:							
Depreciation	371	28	115	1	515	—	515
Investments in associated companies	487	—	—	—	487	—	487
Increase in property, plant and equipment and intangible assets	¥ 1,424	¥ 308	¥ 749	¥ 0	¥ 2,481	¥ —	¥ 2,481

	Thousands of U.S. dollars						
	2013						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$355,451	$96,397	$49,169	$6,182	$507,199	$ —	$507,199
Intersegment sales or transfers	62,818	1,710	6,591		71,119	(71,119)	
Total	418,269	98,107	55,760	6,182	578,318	(71,119)	507,199
Segment profit	42,426	2,432	2,091	108	47,057	2,441	49,498
Segment assets	522,709	37,254	69,318	6,558	635,839	(43,061)	592,778
Other:							
Depreciation	3,789	556	2,438	6	6,789		6,789
Investments in associated companies	5,626		3,439		9,065	(8)	9,057
Increase in property, plant and equipment and intangible assets	$ 11,534	$ 2,521	$ 1,453	$ 2	$ 15,510	$ —	$ 15,510

Related Information

1. Information about products and services

   Information about products and services for the years ended March 31, 2013 and 2012, is omitted since sales to external customers in a single product line (generators, welders, compressors, and other related products) accounted for more than 90% of the total consolidated sales.

2. Information about geographical areas

   Sales to external customers and property, plant and equipment by geographical areas for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen				
	2013				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥27,646	¥10,753	¥6,863	¥2,410	¥47,672
Property, plant and equipment	8,932	797	1,599	0	11,328

	Millions of yen				
	2012				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥30,445	¥9,548	¥5,647	¥2,467	¥48,107
Property, plant and equipment	8,806	538	1,550	1	10,895

	Thousands of U.S. dollars				
	2013				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	$294,131	$114,409	$73,017	$25,642	$507,199
Property, plant and equipment	95,035	8,478	17,010	4	120,527

Note: Sales are classified in countries or regions based on location of customers.

3. Information about major customers

   Sales to major customers for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	Related Segment
Name of customers	2013	2012	2013	
Multiquip Inc.	¥9,060	¥7,911	$96,397	United States of America

20. Related-Party Transactions

The Company sold its products to New Japan Machinery Corporation, an associated company. The Company sold parts of a generator to P.T. Dein Prima Generator, an associated company.

The transactions were made with usual terms and conditions.

The transactions with the associates for the years ended March 31, 2013 and 2012, and related balances at March 31, 2013 and 2012, were mainly as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Transactions:			
Sales	¥2,892	¥3,575	$30,768

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balances:			
Trade notes receivable	¥1,404	¥1,701	$14,936
Trade accounts receivable	787	958	8,375

21. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2013 was approved at the Company's Board of Directors meeting held on May 23, 2013:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥12 (US$0.13) per share	¥274	$2,911

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Denyo Co., Ltd.

We have audited the accompanying consolidated balance sheet of Denyo Co., Ltd. and its subsidiaries as of March 31, 2013, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Denyo Co., Ltd. and its subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 27, 2013

Deloitte Touche Tohmatsu LLC

Deloitte Touche Tohmatsu LLC

Company Outline

(As of March 31, 2013)

Company name	Denyo Co., Ltd.
Established	July 2, 1948
Head office	2-8-5, Nihonbashi-horidomecho, Chuo-ku, Tokyo 103-8566, Japan Tel: 81-3-6861-1111 Fax: 81-3-6861-1181
Paid-in capital	¥1,954,833,520 (U.S.$20,798,314)
Authorized shares	97,811,000
Issued shares	24,359,660
Shareholders	6,431
Financial year	April 1 ~ March 31
Employees	441 (863 consolidated)
Branch and sales offices	26

Board of Directors and Corporate Auditors

(As of June 27, 2013)

Chairman and CEO

Hideaki Kuboyama

President and Representative Director

Shigeru Koga

Directors

Toru Masui
Shoichi Shiratori
Yoji Eto
Teruo Yashiro
Yasuo Mizuno
Haruhito Takada

Corporate Auditors

Yasumasa Mizuno
Hideo Yoshida
Hideto Masaki
Yoshihiko Chida

Business Lines

Manufacture and sales of:

Generators	Engine-driven Generators Emergency Generating Sets General-use Generating Sets AC Generators
Welders	Engine-driven Welders Welding Generators Welding Jigs Automatic Welding Equipment
Compressors	Engine-driven Air Compressors Motor-driven Air Compressors

Water-related Equipment
Self-propelled Work Lifts

Plants and R&D Center

Fukui Plant	Wakasa-cho, Fukui Prefecture
Shiga Plant and Distribution Center	Konan, Shiga Prefecture
Laboratory & Training Center	Sakado, Saitama Prefecture

Fukui Plant

Office building of Fukui Plant

Denyo Group Companies

Denyo Kosan Co., Ltd.
2-8-5, Nihonbashi-horidomecho, Chuo-ku, Tokyo 103-8566, Japan
Paid-in Capital: ¥50 million
Business: Services and sales of industrial electrical machinery and parts

Nishinihon Generator Mfg. Co., Ltd.
140 Chichika, Karatsu, Saga 847-0831, Japan
Paid-in Capital: ¥50 million
Business: Manufacture and sales of industrial electrical machinery

Denyo America Corporation
1450 Minor Road, Danville, Kentucky 40422, U.S.A.
Paid-in Capital: US$5 million
Business: Sales of parts for industrial electrical machinery

Denyo Manufacturing Corporation
1450 Minor Road, Danville, Kentucky 40422, U.S.A.
Paid-in Capital: US$6 million
Business: Manufacture and sales of industrial electrical machinery to the U.S. market

Denyo Asia Pte. Ltd.
27 Pioneer Sector 1, Jurong, Singapore 628433
Paid-in Capital: ¥600 million
Business: Sales of industrial electrical machinery

Denyo United Machinery Pte. Ltd.
27 Pioneer Sector 1, Jurong, Singapore 628433
Paid-in Capital: S$3 million
Business: Sales of industrial electrical machinery

Denyo Europe B.V.
Molensteyn 48, 3454 PT De Meern, The Netherlands
Paid-in Capital:€4 million
Business: Services and sales of industrial electrical machinery and parts

Denyo Vietnam Co., Ltd.
Plot A3 Thang Long Industrial ParkII, Yen My District, Hung Yen Province, Vietnam
Paid-in Capital: US$10 million
Business: Manufacture and sales of industrial electrical machinery

P.T. Dein Prima Generator
JL. Raya Bekasi Km. 28, Medan Satria, Bekasi 17132 Jawa Barat, Indonesia
Paid-in Capital: Rp13,031 million
Business: Manufacture and sales of industrial electrical machinery to the Indonesia market

New Japan Machinery Corporation
3-6-5 Shinyokohama, Kohoku-ku, Yokohama, Kanagawa 222-0033, Japan
Paid-in Capital: ¥495 million
Business: Sales and rental service of industrial electrical machinery

INVESTOR INFORMATION

(As of March 31, 2013)

Head Office	2-8-5, Nihonbashi-horidomecho, Chuo-ku, Tokyo 103-8566, Japan Tel: 81-3-6861-1111 Fax: 81-3-6861-1181
Financial Year	April 1 ~ March 31
Common Stock	Authorized shares: 97,811,000 Issued shares: 24,359,660
Stock Listing	Tokyo Stock Exchanges, First Section (Code: 6517)
Shareholders	6,431
Transfer Agency	Tokyo Securities Transfer Agent Co., Ltd. Nihon Bldg. 4F, 2-6-2, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Kyuei Corporation	1,750	7.41
Mizuho Bank, Ltd.	1,166	4.94
Itochu International, Inc.	937	3.97
The Dai-ichi Life Insurance Co., Ltd.	872	3.69
Trust & Custody Servies Bank, Ltd. (Trust Account)	798	3.38
Denyo Shin-eikai Group	628	2.66
Japan Trustee Services Bank, Ltd. (Trust Account)	585	2.48
Tsurumi Manufacturing Co., Ltd.	543	2.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	540	2.28
Komatsu Diesel Co., Ltd.	522	2.21

Denyo Co., Ltd.
http://www.denyo.co.jp
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