Denyo Co., Ltd.

2014 Annual Report

Year ended March 31, 2014

PROFILE

Denyo Co., Ltd. was founded in 1948. Since its creation, it has been involved in the manufacture and sales of Engine Generators, Engine Welders and Engine Air-compressors, along with the repair parts associated with these. The Company and corporate group is made up of 10 subsidiaries and one affiliate company, along with production facilities, including after-sales service in Japan, Southeast Asia and the U.S.

Denyo Manufacturing Corporation, manufacturing engine generators in Kentucky, USA as a group company, was selected as an American business that makes a contribution to the environment and was awarded the Most Valuable Pollution Prevention Award (MVP2 Award).

The MVP2 Award is awarded by the National Pollution Prevention Roundtable (NPPR) based in Washington DC to businesses that make a contribution to environmental conservation based on five criteria, including technological and fixed achievements.

Activities such as waste reduction, resource saving and recycling programs were evaluated and the award was given for the "Projects/Programs" category. The award ceremony was held in September 2013 in Washington DC where Denyo Manufacturing Corporation was awarded a commemorative shield.

The same company was awarded "Manufacturer of the Year" in 2012 from the state of Kentucky as a business that contributed to the environment and area, and continues to make such contributions.

MVP2 Award ceremony

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CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31, 2014, 2013 and 2012

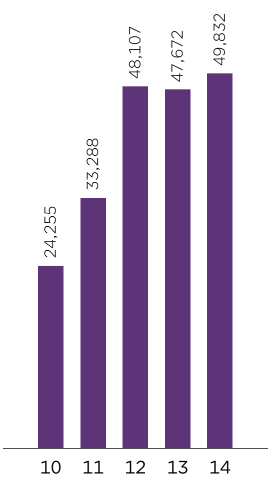
	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Net Sales	¥49,832	¥47,672	¥48,107	$484,184
Total Assets	61,513	55,715	51,916	597,681
Total Net Assets	44,258	40,153	35,899	430,027
Operating Income	5,320	4,652	4,421	51,693
Net Income	3,661	3,399	2,855	35,567

Per Share Data	Yen			U.S. dollars
Total Net Assets	¥1,987.16	¥1,723.43	¥1,523.46	$19.31
Net Income	162.33	149.00	123.82	1.58
Cash Dividends	24.00	22.00	18.00	0.23

Note: Transaction into U.S. dollars has been made, solely for the reader's convenience, at the rate of ¥102.92 to U.S.$1, prevailing on the Tokyo Foreign Exchange Market on March 31, 2014.

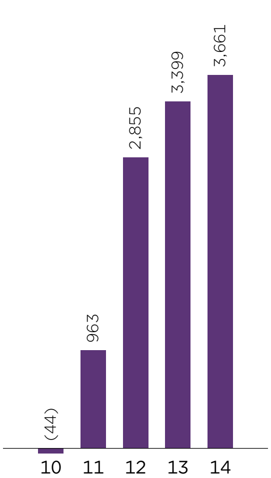
Net Sales

(¥ million)



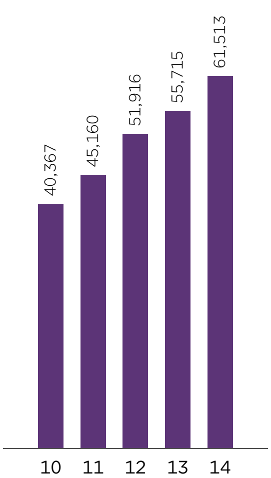
Net Income

(¥ million)



Total Assets

(¥ million)



Total Net Assets

(¥ million)

TO OUR SHAREHOLDERS

Business Environment and Results

Fiscal 2014, the term ended March 31, 2014 marks the Denyo Group's 66th business term.

The Japanese economy for the current fiscal year fluctuated based on a moderate recovery, seeing an improvement in corporate profits and an increase in personal consumption against a backdrop of high stock prices and a weakening yen as a result of the government's economic policies. On the other hand, the global economy has seen a slowdown in emerging markets, and the economic recovery in Europe lacks impetus, making the situation is uncertain.

Regarding the business environment of the Company and Group in Japan, the major construction related areas have seen an increase in public spending on infrastructure maintenance and disaster prevention, in addition to reconstruction projects in affected disaster areas, and there has been a trend towards recovery of private investment against a background of strong corporate earnings. Looking at the overseas market, the harsh environment in the Northern American market continues with conservative spending as a result of emissions regulations.

Based on these circumstances, the Company and Corporate Group while subsequently continuing to enhance orders in construction-related fields, as a result of promoting aggressive sales tactics for stand-by generating sets in non-construction related areas, consolidated net sales were ¥49,832 million (US$484,184 thousand). This is a 4.5% increase from the previous term. In consideration of profits, the cost price ratio of overseas plants has improved and so the consolidated operating income was ¥5,320 million (US$51,693 thousand), an increase of 14.4% on last year. Income before income taxes and minority interests was ¥5,842 million (US$56,763 thousand), a 5.5% increase compared to the previous term. Consolidated net income was ¥3,661 million (US$35,567 thousand), an increase of 7.7% on the previous year. This fiscal period has been our best sales and profits on record.

The year-end dividend was an ordinary dividend of ¥13 (US$0.13) per share. The interim dividend was an ordinary dividend of ¥11 (US$0.11) per share, making the total payout for the year ¥24 (US$0.23) per share, a ¥2 (US$0.02) increase from the previous term. As a result, the dividend payout ratio was 14.8%.

Future Focus

It is difficult to be optimistic regarding economic prospects, domestically due to both the downturn in demand due to increase in consumption tax and failure in bids for public works. However, with recovery demand and government's economic policy support of reconstruction demand, we have high expectations for continued economic recovery. Overseas, while we remain hopeful regarding United States economic recovery and Europe's economy bottoming out, non-transparency in economic performance in emerging nations, such as China, is also a factor.

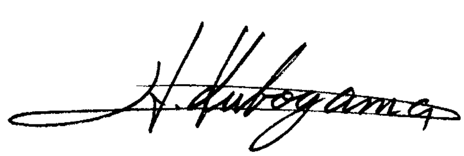
Hideaki Kuboyama
Chairman and CEO

Shigeru Koga
President

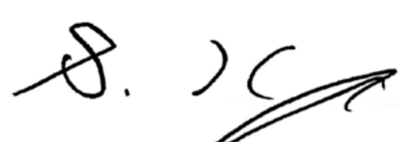
Under these conditions, the Company and Group endeavor to domestically strengthen our foothold on demand in construction related fields while also promoting expansion in non-construction related fields and at the same time focus attention on new business development and market expansion in overseas markets.

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

June 2014



Hideaki Kuboyama,
Chairman and CEO



Shigeru Koga,
President

■ DLW-400LSWE

■ DCA-220LSIE

■ MPS-75VP-2

Eco-base Series Promotion

Denyo is working hard to change production of engine generators and engine welders that are equipped standardly with eco-base to sequential production and to enhance the eco-base series.

Even in the unlikely event of a leak during refueling or an oil leak from an unexpected accident, by stopping the oil-guard base on the bottom of an eco-base machine, it can control the external flow as much as possible. Conventional machines were eco-base engine generators equipped with a large fuel tank called a big tank, but by developing the technology cultivated there, we are progressing with a series of standard generator with eco-base installed standardly.

Furthermore, we will sequentially add eco-base engine welders equipped standardly with eco-base.

New Motor Compressor

This summer the Company developed a new outdoor soundproof motor compressor that has installed advanced technology and economy features as a compressor that can be used in harsh environments such as tunnel construction, and it is currently on sale.

This new motor compressor has an inverter installed for use in motor the drive which is fully digitally controlled by Denyo's proprietary Variable Pressure & Speed Control System (VPS) technology, which has been well-received. Through this system, it is possible to set the maximum air delivery in three stages and any discharge pressure, and adequately control operations depending on usage load and the power supply capacity.

In addition, it has enhanced features such as a power reduction mode when there is no load, automatic start-stop function, and a cooling fan speed control, contributing to energy-saving operations.

■ DCA-45SGC-N

Super Soundproof Type Power-Supply Vehicles Sold only in Japan

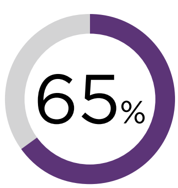
Denyo develops and sells power-supply vehicles that are installed with engine generators in the carrier section of trucks and mini-vans. It enables a flexible power at places where is a need for temporary power, such as television broadcast, outdoor events and disaster aid.

Even on sites where attention to excessive noise is required such as residential areas or at night, it has a super soundproof design that will not cause stress to the surrounding environment. Furthermore, it is equipped with a high-performance generator compatible with precision equipment, and can provide a very stable power supply.

It is possible to produce electricity up to 1400kVA, and the technology and quality of this engine generator meets the needs of our customers.

Business Performance by Product Category and Domestic Market Share

Engine Generators
(Mobile type)

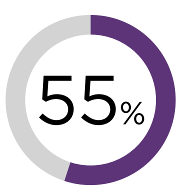


In the engine generators division, shipments to the United States have declined, but there has been an increase in shipments of mobile generators domestically due to a healthy construction demand, and shipments of stand-by generating sets have also been strong.

As a result, total sales of generators increased by 3.8% over the previous term to ¥38,242 million (US$371,565 thousand).

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

Engine Welders

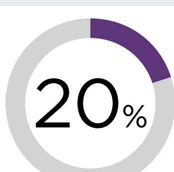


In the engine welders division, on top of steady shipments of small engine welders with the increase of construction domestically, overseas operations are also steady overall.

As a result, total sales in this department increased by 8.9% over the previous term to ¥5,263 million (US$51,141 thousand).

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

Engine Compressors



Regarding the engine compressors segment, shipments have increased to the leasing and rental industry domestically.

As a result, total sales in this department increased by 23.2% over the previous term to ¥993 million (US$9,650 thousand).

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

Other Products

In other products, there has been an increase in product sales such as lifters and product-related parts.

As a result, total sales in this department increased by 2.9% over the previous term to ¥5,334 million (US$51,828 thousand).

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL REVIEW

Business Environment and Results

Regarding the business environment of the Company and Group in Japan, the major construction related areas have seen an increase in public spending on infrastructure maintenance and disaster prevention, in addition to reconstruction projects in the affected disaster area, and there has been a trend towards recovery of private investment against a background of strong corporate earnings. Looking at the overseas market, the harsh environment in the North American market continues with conservative spending as a result of emissions regulations.

Under these circumstances, the Company and Group has, along with subsequently continuing to enhance orders in construction-related fields, as a result of promoting aggressive sales tactics for stand-by generating sets in non-construction related areas.

As a result consolidated net sales was ¥49,832 million (US$484,184 thousand). This is a 4.5% increase from the previous term. In consideration of profits, the cost price ratio of overseas plants has improved and so the consolidated operating income was ¥5,320 million (US$51,693 thousand), which is a 14.4% increase from last year. Income before income taxes and minority interests was ¥5,842 million (US$56,763 thousand), which is a 5.5% increase compared to the previous term. Consolidated net income ¥3,661 million (US$35,567 thousand), which is an increase of 7.7% from last year. This fiscal period has been our best sales and profits on record.

Segment Information

In the generators division, shipments to the United States have declined, but there has been an increase in shipments of mobile generators domestically due to a healthy construction demand, and shipments of stand-by generating sets have also been strong. Sales volume was ¥38,242 million (US$371,565 thousand), which is an increase of 3.8% from last year.

Regarding the welders segment, on top of steady shipments of small engine welders with the increase of construction domestically, overseas operations are also steady overall. Sales volume was ¥5,263 million (US$51,141 thousand), which is an increase of 8.9% from last year.

Regarding the compressor segment, shipments have increased to the leasing and rental industry domestically. Sales volume was ¥993 million (US$9,650 thousand), which is an increase of 23.2% from last year.
Regarding the other product segment, there has been an increase in product sales such as lifters. Sales volume was ¥5,334 million (US$51,828 thousand), which is an increase of 2.9% from last year.

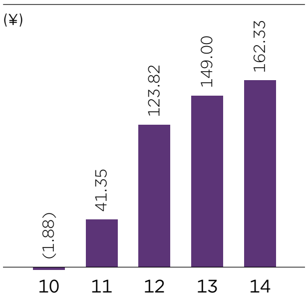
If we look at the regional performance with consideration for each segment, domestic shipments of mobile generators and small welders for the core leasing and rental market have increased, and in addition to this, shipments of stand-by generating sets that use LP gas as a fuel and stand-by generating sets for disaster have been strong. Overseas, shipments of generators to Asia have been strong, bringing sales volume to ¥37,323 million (US$362,646 thousand), which is an increase on last year of ¥3,915 million (US$38,036 thousand) or 11.7%. Meanwhile, operating income was ¥4,230 million (US$41,107 thousand), a 6.1% increase or ¥242 million (US$2,361 thousand) over the previous term.

Furthermore, the performance in the United States is recovering with the gradual economic recovery, but due to the impact of restrained spending associated with the gas emissions regulation of the first-half of the fiscal year, there has been a reduction in shipments of generators to the rental market bringing sales volume down to ¥7,227 million (US$70,221 thousand), which is a 20.2% or ¥1,833 million (US$17,812 thousand) decrease from last year. On the other hand, there have been clear improvements of imports from Japan because of the weaker yen and operating income was ¥356 million (US$3,455 thousand), which is a 55.6% or ¥127 million (US$1,235 thousand) increase from last year.

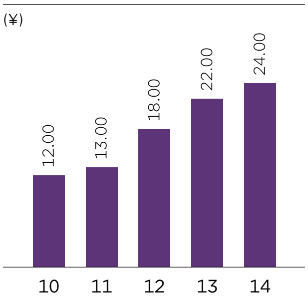
With regards to Asia, even though there has been a drop in shipments of generators for mining, overall shipments of generators for things like infrastructure projects have been strong. Sales volume was ¥4,968 million (US$48,271 thousand), which is a 7.5% or ¥347 million (US$3,368 thousand) increase on last year. Furthermore, due to the stabilizing of manufacture at Denyo Vietnam Co., Ltd., which began full-scale operations last year, operating income was ¥574 million (US$5,577 thousand), which is a 192.0% or ¥377 million (US$3,667 thousand) increase from last year.

With regards to Europe, despite there still being signs of economic recovery in some areas, overall this hasn't made a large impact. Sales volume was ¥314 million (US$3,046 thousand). This is a 46.0% or ¥267 million (US$2,599 thousand) decrease from last year, and an operating loss of ¥40 million (US$390 thousand). Last year maintained a profit of ¥10 million (US$99 thousand).

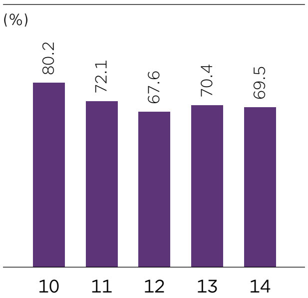
Net Income per Share



Cash Dividends per Share



Equity Ratio



Financial Position

Total assets at the end of the fiscal year amounted to ¥61,513 million (US$597,681 thousand), an increase of ¥5,798 million (US$56,336 thousand) over the previous term. The equity ratio was 69.5%, a decrease of 0.9 points from the previous consolidated accounting year.

Total current assets at the end of the term were ¥38,627 million (US$375,308 thousand), an increase of ¥2,213 million (US$21,501 thousand) over the previous term. This is primarily due to a ¥1,856 million (US$18,032 thousand) increase in accounts receivable and notes receivable, and an increase of ¥1,217 million (US$11,822 thousand) in inventories

Fixed assets at the end of the fiscal term were ¥22,887 million (US$222,373 thousand), an increase of ¥3,585 million (US$34,835 thousand) over the previous term. This is owing largely to an increase in tangible fixed assets of ¥2,263 million (US$21,985 thousand), and an increase in investment securities of ¥1,258 million (US$12,220 thousand) due to re-evaluation of stockholdings.

Total liabilities at the end of the fiscal term were ¥17,255 million (US$167,654 thousand), an increase of ¥1,693 million (US$16,446 thousand) over the previous term. Current liabilities also increased by ¥378 million (US$3,675 thousand) to a total of ¥12,799 million (US$124,360 thousand). This is primarily due to an increase of ¥161 million (US$1,561 thousand) in short-term borrowings.

Fixed liabilities at term end were ¥4,456 million (US$43,294 thousand), an increase of ¥1,314 million (US$12,771 thousand) over the previous term. This increase was due to the ¥657 million (US$6,382 thousand) increase in deferred tax liabilities and increase of ¥629 million (US$6,113 thousand) in long-term borrowing.

Total equity including minority interest at term end was ¥44,258 million (US$430,027 thousand), an increase of ¥4,105 million (US$39,890 thousand) from the previous term. This is primarily due to an increase of ¥1,691million (US$16,435 thousand) in treasury stock based on a resolution by the board of directors, a ¥3,661 million (US$35,567 thousand) recorded net income, and an increase of ¥1,091 million (US$10,599 thousand) valuation difference in other securities.

Cash Flows

Taking a look at the cash flow, funds used in operating activities in this consolidated accounting year were ¥2,339 million (US$22,722 thousand). This is a ¥2,416 million (US$23,479 thousand) decrease from the previous term. This was due mainly to the fact that net income before income taxes came to ¥5,842 million (US$56,763 thousand), while accounts receivable increased by ¥957 million (US$9,295 thousand), corporate tax increased by ¥2,139 million (US$20,780 thousand), trade notes and accounts payable decreased by ¥986 million (US$9,576 thousand).

Funds used in investing activities amounted to ¥1,777 million (US$17,262 thousand). The capital obtained in the previous fiscal year was ¥169 million (US$1,642 thousand). This was mainly due to expenditures for the acquisition of tangible fixed assets of ¥2,158 million (US$20,965 thousand), revenue from sale of fixed assets of ¥144 million (US$1,396 thousand) and a ¥192 million (US$1,862 thousand) sale of securities.

Funds obtained as a result of financing activities amounted to ¥1,493 million (US$14,503 thousand). This was a ¥486 million (US$4,726 thousand) increase in used funds compared to the previous year. This was due mainly to an increase of ¥1,029 million (US$10,000 thousand) in long-term borrowing, 1,691 million (US$16,426 thousand) in purchase of treasury stock and expenditures of ¥524 million (US$5,095 thousand) for the payment of dividends.

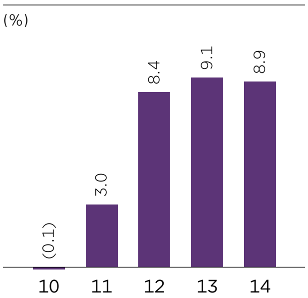
As a result, the consolidated balance of cash and cash equivalents at term-end decreased by ¥689 million (US$6,693 thousand) under the previous term to ¥9,832 million (US$95,527 thousand). This is primarily due to ¥5,842 million (US$56,763 thousand) being calculated as income before income taxes and minority interests and the acquisition of tangible fixed assets and treasury stock.

Dividends

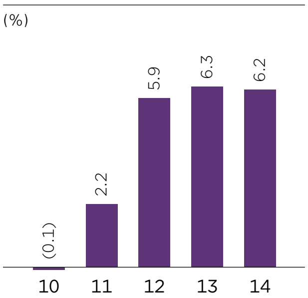
In its profit sharing, Denyo recognizes the importance of returning profits to shareholders, while investing in equipment and research & development in order to strengthen future competitiveness and profitability and its policy is to implement an interim and term-end dividend payouts of distribution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

Under this basic policy, we implemented an interim dividend of ¥11 (US$0.11) per share and a term-end payout of ¥13 (US$0.13) per share as the year-end dividend. As a result, the total payout for the year was ¥24 (US$0.23) per share. The dividend payout ratio was 14.8%.

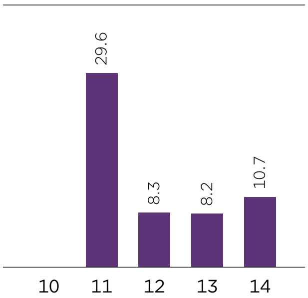
Return on Average Shareholders' Equity



Return on Average Assets (ROA)



Price Earnings Ratio



DENYO CO., LTD. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2014	2013	2014
Current Assets:			
Cash and cash equivalents (Note 14)	¥ 9,832	¥10,521	$ 95,527
Receivables (Note 14):			
Trade notes	5,667	5,829	55,062
Trade accounts	11,576	9,840	112,478
Associated companies (Note 20)	2,500	2,221	24,290
Other	36	103	348
Allowance for doubtful receivables	(56)	(50)	(548)
Inventories (Note 5)	8,189	6,972	79,564
Deferred tax assets (Note 11)	735	692	7,146
Prepaid expenses and other current assets	148	286	1,441
Total current assets	38,627	36,414	375,308
Property, Plant and Equipment:			
Land	4,826	4,717	46,893
Buildings and structures	10,263	8,570	99,723
Machinery and equipment (Note 13)	4,967	4,302	48,257
Furniture and fixtures	1,534	1,337	14,909
Construction in progress	507	93	4,928
Total	22,097	19,019	214,710
Accumulated depreciation	(8,507)	(7,691)	(82,656)
Net property, plant and equipment	13,590	11,328	132,054
Investments and Other Assets:			
Investment securities (Notes 4 and 14)	8,074	6,542	78,454
Investments in associated companies (Note 6)	577	851	5,604
Deferred tax assets (Note 11)	43	40	420
Other assets (Note 13)	602	540	5,841
Total investments and other assets	9,296	7,973	90,319
Total	¥61,513	¥55,715	$597,681

See notes to consolidated financial statements.

Liabilities and Equity	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current Liabilities:			
Short-term bank loans (Notes 7 and 14)	¥ 708	¥ 547	$ 6,880
Current portion of long-term debt (Notes 7 and 14)	400	400	3,887
Payables (Note 14):			
Trade notes	1,749	1,908	16,991
Trade accounts	6,787	6,741	65,948
Associated companies	19	95	189
Other	314	165	3,055
Accrued income taxes (Note 11)	1,075	1,125	10,447
Accrued expenses	1,256	1,140	12,205
Provision for product warranties	267	205	2,593
Other current liabilities	224	95	2,165
Total current liabilities	12,799	12,421	124,360
Long-Term Liabilities:			
Long-term debt (Notes 7 and 14)	1,434	803	13,931
Liability for retirement benefits (Note 9)	385	494	3,742
Deferred tax liabilities (Note 11)	2,084	1,427	20,245
Other long-term liabilities	553	417	5,376
Total long-term liabilities	4,456	3,141	43,294
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 2014 and 2013	1,955	1,955	18,994
Capital surplus	1,756	1,755	17,058
Retained earnings	38,534	35,398	374,411
Treasury stock – at cost, 2,844,532 shares in 2014 and 1,608,646 shares in 2013 (Note 3)	(3,003)	(1,312)	(29,181)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,208	2,118	31,174
Deferred gain on derivatives under hedge accounting		2	
Foreign currency translation adjustments	286	(706)	2,779
Defined retirement benefit plans	18		174
Total	42,754	39,210	415,409
Minority interests	1,504	943	14,618
Total equity	44,258	40,153	430,027
Total	¥61,513	¥55,715	$597,681

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
CONSOLIDATED STATEMENT OF OPERATIONS

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net Sales (Note 20)	¥49,832	¥47,672	$484,184
Cost of Sales	36,904	36,110	358,570
Gross profit	12,928	11,562	125,614
Selling, General and Administrative Expenses (Note 12)	7,608	6,910	73,921
Operating income	5,320	4,652	51,693
Other Income (Expenses):			
Interest and dividend income	151	141	1,471
Interest expense	(22)	(31)	(212)
Gain on sale of property, plant and equipment	110	536	1,065
Loss on sale or disposal of property, plant and equipment	(6)	(4)	(60)
Gain on sale of investment securities (Note 4)	51		500
Foreign exchange gain	45	60	437
Equity in earnings of associated companies	63	77	608
Rent income	59	70	569
Commitment fee	(38)	(19)	(372)
Gain on step acquisitions	51		492
Other – net	58	57	572
Other income – net	522	887	5,070
Income Before Income Taxes and Minority Interests	5,842	5,539	56,763
Income Taxes (Note 11):			
Current	2,062	1,980	20,032
Deferred	(1)	78	(6)
Total income taxes	2,061	2,058	20,026
Net income before minority interests	3,781	3,481	36,737
Minority interests	120	82	1,170
Net income	3,661	3,399	35,567
Minority interests	120	82	1,170
Net income before minority interests	¥ 3,781	¥ 3,481	$ 36,737
Other Comprehensive Income (Note 17):			
Unrealized gain on available-for-sale securities	1,083	811	10,526
Deferred gain (loss) on derivatives under hedge accounting	(2)	2	(19)
Foreign currency translation adjustments	1,093	556	10,620
Share of other comprehensive income in associates	35	17	337
Total other comprehensive income	2,209	1,386	21,464
Comprehensive Income	¥ 5,990	¥ 4,867	$ 58,201
Total comprehensive income attributable to:			
Owners of the parent	¥5,741	¥4,677	$55,782
Minority interests	249	190	2,419

	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Basic net income (Note 18)	¥162.33	¥149.00	$1.58
Cash dividends applicable to the year	24.00	22.00	0.23

See notes to consolidated financial statements.

DENYO CO., LTD. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended March 31, 2014 and 2013

						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	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
	(Thousands)	Millions of yen										
Balance, April 1, 2012	23,051	¥1,955	¥1,754	¥32,286	¥(1,014)	¥1,304		¥(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, March 31, 2013	22,751	1,955	1,755	35,398	(1,312)	2,118	2	(706)		39,210	943	40,153
Net income				3,661						3,661		3,661
Cash dividends, ¥24 per share				(525)						(525)		(525)
Purchase of treasury stock	(1,238)				(1,693)					(1,693)		(1,693)
Selling of treasury stock	2		1		2					3		3
Net change in the year						1,090	(2)	992	¥18	2,098	561	2,659
Balance, March 31, 2014	21,515	¥1,955	¥1,756	¥38,534	¥(3,003)	¥3,208		¥ 286	¥18	¥42,754	¥1,504	¥44,258
		Thousands of U.S. dollars (Note 1)										
Balance, March 31, 2013		$18,994	$17,049	$343,939	$(12,747)	$20,575	$19	$(6,855)		$380,974	$ 9,163	$390,137
Net income				35,567						35,567		35,567
Cash dividends, U.S.$0.23 per share				(5,095)						(5,095)		(5,095)
Purchase of treasury stock					(16,455)					(16,455)		(16,455)
Selling of treasury stock			9		21					30		30
Net change in the year						10,599	(19)	9,634	$174	20,388	5,455	25,843
Balance, March 31, 2014		$18,994	$17,058	$374,411	$(29,181)	$31,174		$ 2,779	$174	$415,409	$14,618	$430,027

See notes to consolidated financial statements.

DENYO CO., LTD. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating Activities:			
Income before income taxes and minority interests	¥ 5,842	¥ 5,539	$ 56,763
Adjustments for:			
Income taxes paid	(2,139)	(2,563)	(20,780)
Depreciation and amortization	838	638	8,140
Gain on sale or disposal of property, plant and equipment – net	(103)	(532)	(1,005)
Gain on step acquisitions	(51)		(492)
Equity in earnings of associated companies	(63)	(77)	(608)
Changes in assets and liabilities, net of effects:			
(Increase) decrease in trade notes and accounts receivable	(957)	2,276	(9,295)
(Increase) decrease in inventories	(547)	159	(5,314)
Decrease in interest and dividend receivable	9	31	91
Decrease in trade notes and accounts payable	(986)	(432)	(9,576)
Decrease in interest payable	(3)		(32)
Increase (decrease) in provision for allowance for doubtful accounts	4	(10)	37
Decrease in liability for retirement benefits	(134)	(131)	(1,302)
Other – net	629	(143)	6,095
Total adjustments	(3,503)	(784)	(34,041)
Net cash provided by operating activities	2,339	4,755	22,722
Investing Activities:			
Proceeds from sales of property, plant and equipment	144	1,043	1,396
Purchase of property, plant and equipment	(2,158)	(1,369)	(20,965)
Proceeds from sales of securities	192	1	1,862
Purchase of securities	(2)	(2)	(20)
Investment in loans receivable	(12)	(15)	(118)
Collections of loans receivable	14	51	135
Increase in cash of newly consolidated subsidiary	106		1,030
Decrease in time deposit		500	
Other – net	(61)	(40)	(582)
Net cash provided by (used in) investing activities	(1,777)	169	(17,262)
Financing Activities:			
Increase in short-term loans – net	161	200	1,561
Proceeds from long-term debt	1,029		10,000
Repayment of long-term debt	(400)	(400)	(3,887)
Purchase of treasury stock	(1,691)	(298)	(16,426)
Dividends paid	(524)	(459)	(5,095)
Other – net	(68)	(49)	(656)
Net cash used in financing activities	(1,493)	(1,006)	(14,503)
Foreign currency translation adjustments on cash and cash equivalents	242	314	2,349
Net (decrease) increase in cash and cash equivalents	(689)	4,232	(6,694)
Cash and cash equivalents, beginning of year	10,521	6,289	102,221
Cash and cash equivalents, end of year	¥ 9,832	¥10,521	$ 95,527

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2014 and 2013

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 ¥102.92 to U.S.$1, the approximate rate of exchange at March 31, 2014. 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, 2014, include the accounts of the Company and its 10 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.," "Denyo Vietnam Co., Ltd." and "P.T. Dein Prima Generator" (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 investment in "New Japan Machinery Corporation" (the investments in "New Japan Machinery Corporation" and "P.T. Dein Prima Generator" in 2013) associated company, is 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.," "Denyo Vietnam Co., Ltd." and "P.T. Dein Prima Generator" and one other were consolidated using the financial statements as of December 31 because the difference between the fiscal yearend date of the subsidiaries and that of the Company does 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 generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process except for the following items that 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 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 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.

d. Cash and 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 that 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 that 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, its domestic subsidiaries and a certain foreign company maintain defined benefit pension plans. 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.

In May 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 were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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) 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 applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥385 million (U.S.$3,742 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥18 million ($174 thousand).

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 that 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 that 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 income tax rates 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 Japanese 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 that 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.

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.

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 fiscal 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 were 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 service period 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 applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and the effect of applying the revised accounting standard for (c) above in future applicable periods is immaterial.

Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts – On December 25, 2013, the ASBJ issued PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon transfer of treasury stock to the employee stock-ownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the entity shall record (1) the entity stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee share-holding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Company expects to apply PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" from the beginning of the annual period beginning on April 1, 2014, and it is difficult for the Company to measure the effects of applying the PITF 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 statements 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 796,100 and 798,300 treasury stocks as of March 31, 2014 and 2013, respectively.

4. Investment Securities

Investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-current:			
Marketable equity securities	¥6,893	¥5,298	$66,976
Marketable trust fund investments and other	158	162	1,537
Non-marketable equity securities	1,023	1,082	9,941
Total	¥8,074	¥6,542	$78,454

The cost and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013, were as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:								
Equity securities	¥1,963	¥4,930		¥6,893	$19,074	$47,907	$ 5	$66,976
Trust fund investments and other	165	13	¥20	158	1,599	135	197	1,537

	Millions of yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥2,042	¥3,258	¥ 2	¥5,298
Trust fund investments and other	177	1	16	162

The information of available-for-sale securities which were sold during the years ended March 31, 2014 and 2013, is as follows:

March 31, 2014	Millions of yen Proceeds	Millions of yen Realized Gains	Millions of yen Realized Loss	Thousands of U.S. dollars Proceeds	Thousands of U.S. dollars Realized Gains	Thousands of U.S. dollars Realized Loss
Available-for-sale – Trust fund investments and other	¥192	¥51	¥—	$1,862	$500	$—

March 31, 2013	Millions of yen Proceeds	Millions of yen Realized Gains	Millions of yen Realized Loss
Available-for-sale – Trust fund investments and other	¥1		

5. Inventories

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished products	¥4,497	¥4,075	$43,693
Work in process	812	566	7,890
Raw materials and supplies	2,880	2,331	27,981
Total	¥8,189	¥6,972	$79,564

6. Investments in Associated Companies

Investments in associated companies at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investments:			
New Japan Machinery Corporation	¥577	¥529	$5,604
P.T. Dein Prima Generator		322	
Total	¥577	¥851	$5,604

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

Short-term bank loans at March 31, 2014 and 2013, consisted of bank overdrafts. The weighted-average interest rate applicable to the short-term bank loans was 0.8% at March 31, 2014 and 2013.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured loans from banks, with interest rates ranging from 1.5% to 3.5%	¥1,829	¥1,200	$17,774
Obligations under finance leases	5	3	44
Total	1,834	1,203	17,818
Less current portion	(400)	(400)	(3,887)
Long-term debt, less current portion	¥1,434	¥ 803	$13,931

Annual maturities of long-term debt at March 31, 2014, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥ 402	$ 3,901
2016	402	3,901
2017	1	8
2018		6
2019 and thereafter	1,029	10,002
Total	¥1,834	$17,818

8. Commitment Line Contracts

In order to raise funds efficiently, the Company has entered into a commitment line contract with four financial institutions, of which Mizuho Bank, Ltd. is the arranger. The contract provided the Company with a commitment line of ¥3,000 million (U.S.$29,149 thousand) as of March 31, 2014. The Company had no borrowings outstanding under the agreement as of March 31, 2014.

9. Retirement and Pension Plans

The Company has a defined benefit pension plan and domestic subsidiaries also participate in the same plan. A certain foreign subsidiary has its own defined benefit pension plan and other foreign subsidiaries have defined contribution plans. In addition, the Company and domestic subsidiaries have a stock granting retirement plan.

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

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥2,451	$23,811
Current service cost	137	1,328
Interest cost	46	449
Actuarial (gains) losses	(29)	(285)
Benefits paid	(146)	(1,414)
Others	61	600
Balance at end of year	¥2,520	$24,489

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥2,065	$20,065
Expected return on plan assets	27	261
Actuarial (gains) losses	14	138
Contributions from the employer	330	3,201
Benefits paid	(134)	(1,300)
Others	48	466
Balance at end of year	¥2,350	$22,831

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligation	¥2,417	$23,486
Plan assets	2,350	22,831
	67	655
Unfunded defined benefit obligation	103	1,003
Liability for stock granting retirement	215	2,084
Net liability (asset) arising from defined benefit obligation	¥ 385	$ 3,742

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits	¥385	$3,742
Net liability (asset) arising from defined benefit obligation	¥385	$3,742

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥137	$1,328
Interest cost	46	449
Expected return on plan assets	(27)	(261)
Recognized actuarial (gains) losses	(8)	(80)
Stock granting cost	112	1,088
Net periodic benefit costs	¥260	$2,524

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial (gains) losses	¥28	$270

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

General account managed by a life insurance company	98.2%
Others	1.8
Total	100 %

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	Mainly 2.00%
Expected rate of return on plan assets	Mainly 1.25%

Year Ended March 31, 2013

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

	Millions of yen
Projected benefit obligation	¥ 2,451
Fair value of plan assets	(2,065)
Unrecognized actuarial gain/loss	(9)
Liability for stock granting retirement	117
Net liability	¥ 494

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

	Millions of yen
Service cost	¥132
Interest cost	40
Expected return on plan assets	(21)
Recognized actuarial gain	(7)
Stock granting cost	56
Net periodic benefit costs	¥200

Assumptions used for the year ended March 31, 2013, were set forth as follows:

Discount rate	2.00%
Expected rate of return on plan assets	1.25%
Recognition period of actuarial gain/loss	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 including (1) having a Board of Directors, (2) having independent auditors, (3) having an 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.

11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued bonuses	¥ 220	¥ 191	$ 2,133
Provision for product warranties	96	79	932
Accrued enterprises taxes	75	89	730
Unrealized gain on sale of inventory	73	69	706
Unrealized gain on sale of property	16	13	157
Liability for retirement benefits	121	172	1,173
Loss on revaluation of investment securities	34	56	326
Tax loss carryforwards	353	559	3,431
Other	343	323	3,343
Less valuation allowance	(424)	(652)	(4,116)
Total	907	899	8,815
Deferred tax liabilities:			
Reserve for deferred gains on sales of property	403	405	3,919
Unrealized gain on available-for-sale securities	1,728	1,129	16,791
Other	81	60	785
Total	2,212	1,594	21,495
Net deferred tax liabilities	¥(1,305)	¥ (695)	$(12,680)

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, 2014, was as follows:

	2014
Normal effective statutory tax rate	38.0%
Expenses not deductible for income tax purposes	1.3
Income not recognizable for income tax purposes	(0.2)
Per capita portion of inhabitants' taxes	0.5
Tax credits	(2.2)
Lower income tax rates applicable to income in certain foreign countries	(1.7)
Valuation allowance	(0.6)
Effect of tax rate reduction	0.7
Other – net	(0.5)
Actual effective tax rate	35.3%

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.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 35%. The effect of this change was immaterial.

At March 31, 2014, some subsidiaries have tax loss carryforwards aggregating approximately ¥509 million (U.S.$4,949 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
2018	¥350	$3,407
2019	33	317
2020 and thereafter	126	1,225
Total	¥509	$4,949

12. Research and Development Costs

Research and development costs charged to income were ¥578 million (U.S.$5,619 thousand) and ¥595 million for the years ended March 31, 2014 and 2013, respectively.

13. Leases

The Group leases vehicles and software.

Lease payments under finance leases for the years ended March 31, 2014 and 2013, were ¥21 million (U.S.$205 thousand) and ¥88 million, respectively.

Obligations under finance leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥2		$14
Due after one year	3	¥3	30
Total	¥5	¥3	$44

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, 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, 2014	Machinery and Equipment	Software	Total	Machinery and Equipment	Software	Total
Acquisition cost	¥80		¥80	$777		$777
Accumulated depreciation	69		69	675		675
Net leased property	¥11		¥11	$102		$102

March 31, 2013	Millions of yen Machinery and Equipment	 Software	 Total
Acquisition cost	¥197	¥37	¥234
Accumulated depreciation	168	36	204
Net leased property	¥ 29	¥ 1	¥ 30

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 7	¥20	$ 69
Due after one year	4	10	33
Total	¥11	¥30	$102

Acquisition costs and obligations include the imputed interest expense portion.

Depreciation expenses including imputed interest expense under finance leases, which are not reflected in the accompanying consolidated statement of income and comprehensive income, computed by the straight-line method, were ¥20 million (U.S.$191 thousand) and ¥87 million for the years ended March 31, 2014 and 2013, 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 eight 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 an equivalent method.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2014.

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

Foreign currency 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

	Millions of yen			Thousands of U.S. dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 9,832	¥ 9,832		$ 95,527	$ 95,527	
Receivables	19,723	19,723		191,630	191,630	
Investment securities	7,051	7,051		68,513	68,513	
Total	¥36,606	¥36,606		$355,670	$355,670	
Short-term bank loans	¥ 708	¥ 708		$ 6,880	$ 6,880	
Payables	8,869	8,869		86,183	86,183	
Long-term debt	1,834	1,838	¥(4)	17,818	17,857	$(39)
Total	¥11,411	¥11,415	¥(4)	$110,881	$110,920	$(39)
Derivatives	¥ (372)	¥ (372)		$ (3,616)	$ (3,616)	

	Millions of yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥10,521	¥10,521	
Receivables	17,943	17,943	
Investment securities	5,461	5,461	
Total	¥33,925	¥33,925	
Short-term bank loans	¥ 547	¥ 547	
Payables	8,909	8,909	
Long-term debt	1,203	1,204	¥(1)
Total	¥10,659	¥10,660	¥(1)
Derivatives	¥ (222)	¥ (222)	

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

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 that include current portion of long-term debt are determined by discounting the cash flows related to the debt at the Group’s assumed corporate borrowing rate.

Derivatives

Fair value information 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
	2014	2013	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥1,023	¥1,082	$9,941

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen		Thousands of U.S. dollars	
March 31, 2014	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	¥ 9,832		$ 95,527	
Receivables	19,723		191,630	
Investment securities		¥80		$774
Total	¥29,555	¥80	$287,157	$774

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

	Millions of yen				Thousands of U.S. dollars			
At March 31, 2014	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:								
Selling U.S.$	¥ 386		¥ 6	¥ 6	$3,755		$ 62	$ 62
Currency swap contracts:								
Selling U.S.$	1,414	¥1,414	(379)	(379)	13,743	$13,743	(3,678)	(3,678)

	Millions of yen			
At March 31, 2013	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 31		¥ (2)	¥ (2)
Currency swap contracts:				
Selling U.S.$	1,596	¥1,596	(223)	(223)

Derivative Transactions to Which Hedge Accounting Is Applied

At March 31, 2014	Hedged Item	Millions of yen			Thousands of U.S. dollars		
		Contract Amount	Contract Amount due after One Year	Fair Value	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥800	¥400		$10,000	$10,000	

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	

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, 2014	Hedged Item	Thousands of U.S. dollars		
		Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$ 7,773	$ 3,887	
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	10,000	10,000	

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, 2014, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Export trade bill discounted	¥15	$146

17. Other Comprehensive Income

The components of other comprehensive income, including reclassification adjustments and tax effects for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥1,733	¥1,257	$16,847
Reclassification adjustments to profit or loss	(51)		(500)
Amount before income tax effect	1,682	1,257	16,347
Income tax effect	(599)	(446)	(5,821)
Total	¥1,083	¥ 811	$10,526
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (1)	¥ 3	$ (10)
Reclassification adjustments to profit or loss	(2)		(21)
Amount before income tax effect	(3)	3	(31)
Income tax effect	1	(1)	12
Total	¥ (2)	¥ 2	$ (19)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥1,093	¥ 556	$10,620
Total	¥1,093	¥ 556	$10,620
Share of other comprehensive income in associates:			
Gains arising during the year	¥ 35	¥ 17	$ 337
Total	¥ 35	¥ 17	$ 337
Total other comprehensive income	¥2,209	¥1,386	$21,464

18. Net Income per Share

Basis for the computation of net income per share ("EPS") for the years ended March 31, 2014 and 2013, 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, 2014:				
Basic EPS				
Net income available to common shareholders	¥3,661	22,551	¥162.33	$1.58
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥3,399	22,810	¥149.00	

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and 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." 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

	Millions of yen						
	2014						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥37,323	¥7,227	¥4,968	¥314	¥49,832		¥49,832
Inter-segment sales or transfers	5,354	224	1,974	1	7,553	¥(7,553)	
Total	¥42,677	¥7,451	¥6,942	¥315	¥57,385	¥(7,553)	¥49,832
Segment profit	¥ 4,230	¥ 356	¥ 574	¥ (40)	¥ 5,120	¥ 200	¥ 5,320
Segment assets	53,349	4,726	9,549	436	68,060	(6,547)	61,513
Other:							
Depreciation and amortization	429	90	319		838		838
Investments in associated companies	577				577		577
Increase in property, plant and equipment and intangible assets	956	5	1,492		2,453		2,453

	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
Inter-segment 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 and amortization	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		1,458		1,458

	Thousands of U.S. dollars						
	2014						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$362,646	$70,221	$48,271	$3,046	$484,184		$484,184
Inter-segment sales or transfers	52,024	2,178	19,182	11	73,395	$(73,395)	
Total	$414,670	$72,399	$67,453	$3,057	$557,579	$(73,395)	$484,184
Segment profit	$ 41,107	$ 3,455	$ 5,577	$ (390)	$ 49,749	$ 1,944	$ 51,693
Segment assets	518,362	45,915	92,786	4,232	661,295	(63,614)	597,681
Other:							
Depreciation and amortization	4,168	871	3,099	2	8,140		8,140
Investments in associated companies	5,604				5,604		5,604
Increase in property, plant and equipment and intangible assets	9,289	49	14,498	4	23,840		23,840

Related Information

(1) Information about Products and Services

Information about products and services for the years ended March 31, 2014 and 2013, 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, 2014 and 2013, are summarized as follows:

	Millions of yen				
	2014				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥31,728	¥9,008	¥6,959	¥2,137	¥49,832
Property, plant and equipment	9,419	874	3,297		13,590

	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		11,328

	Thousands of U.S. dollars				
	2014				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	$308,278	$87,522	$67,620	$20,764	$484,184
Property, plant and equipment	91,520	8,496	32,034	4	132,054

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, 2014 and 2013, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	Related Segment
Name of customers	2014	2013	2014	
Multiquip Inc.	¥7,227	¥9,060	$70,221	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 which was an associated company in 2013 and has become a consolidated subsidiary in 2014.

The transactions were made with usual terms and conditions.

The transactions with the associates for the years ended March 31, 2014 and 2013, and related balances at March 31, 2014 and 2013, were mainly as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Transactions:			
Sales	¥3,570	¥2,892	$34,690

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balances:			
Trade notes receivable	¥1,674	¥1,404	$16,269
Trade accounts receivable	811	787	7,876

21. Subsequent Event

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's Board of Directors' meeting held on May 22, 2014:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥13 (U.S.$0.13) per share	¥280	$2,724

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, 2014, 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, 2014, 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, 2014

Deloitte Touche Tohmatsu LLC

Deloitte Touche Tohmatsu LLC

COMPANY DATA

Company Outline

(As of March 31, 2014)

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.$18,993,719)
Authorized shares	97,811,000
Issued shares	24,359,660
Shareholders	4,746
Financial year	April 1 ~ March 31
Employees	483 (1,056 consolidated)
Branch and sales offices	26

Board of Directors and Corporate Auditors

(As of June 27, 2014)

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

Hideo Yoshida
Masaru Sugiyama
Hideto Masaki*
Yoshihiko Chida*

Asterisk* indicates an external director or external corporate auditor.

Business Lines

Manufacture and sales of:

Generators	Engine-driven Generators Stand-by 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 Lifters	

Plants and R&D Center

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

Fukui Plant

Laboratory & Training Center

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: Rp13,563 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, 2014)

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 (Included 1,999,809 shares of Company's own stock)
Stock Listing	Tokyo Stock Exchanges, First Section (Code: 6517)
Shareholders	4,746
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	1,600	7.15
Mizuho Bank, Ltd.	1,116	4.99
The Dai-ichi Life Insurance Co., Ltd.	872	3.90
Trust & Custody Servies Bank, Ltd. (Trust Account)	796	3.56
Denyo Shin-eikai Group	633	2.83
Tsurumi Manufacturing Co., Ltd.	543	2.42
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	540	2.41
Komatsu Diesel Co., Ltd.	522	2.33
KUBOTA Corporation	500	2.24
Japan Trustee Services Bank, Ltd. (Trust Account)	476	2.13

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