ANNUAL REPORT 2016

Year ended March 31, 2016

Denyo Co., Ltd.

PROFILE

Since its establishment in 1948,

Denyo has been a pioneer in outdoor power sources, developing and manufacturing many original products, including engine-driven generators, engine-driven welders and engine-driven air compressors. Without contenting ourselves with our current market position or technical expertise, we have boldly taken on new R&D challenges and, as a result, we now command a 65% share of the domestic market for engine-driven generators, our main product. The Denyo Group comprises the Company and its ten subsidiaries and one affiliate, along with its production facilities in Southeast Asia and the U.S., and R&D center in Japan.

P.T. Dein Prima Generator 40th Anniversary

In January 2016, P.T. Dein Prima Generator ("Dein"), the Denyo Group's production base in Indonesia, held a ceremony to mark the 40th anniversary of its establishment. The ceremony was attended by many dignitaries, customers, Dein staff and other stakeholders.

Dein was established as the Denyo Group's first overseas plant in January 1976. Since then, Dein has served as the Denyo Group's production base in Southeast Asia, supplying high quality generators mainly to the Indonesian market. In August 2014, the DCA-25ESK engine-driven generator manufactured by Dein was certified by MURI* after setting a new record for continuous generator operation that was more than double Indonesia's previous record. Through this and other achievements, the high quality of Dein products has been recognized both inside and outside of Indonesia.

Together with Denyo Vietnam Co., Ltd., which commenced production of finished generator products in March 2015, Dein will continue to play an important role in the Denyo Group's Asia strategy.

* MURI stands for Museum Rekor Dunia Indonesia (Indonesia Records Museum), which is the recognized authority for records certification in Indonesia.

CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

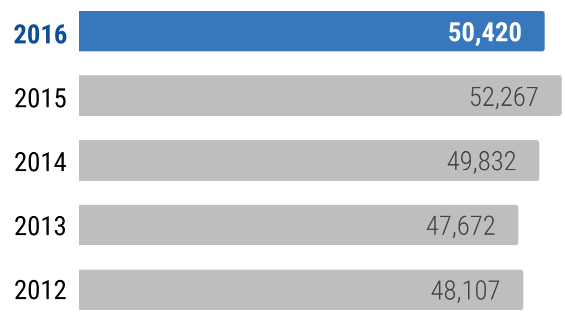
	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Net Sales	¥ 50,420	¥ 52,267	¥ 49,832	$ 447,421
Total Assets	66,994	67,324	61,518	594,502
Total Net Assets	50,812	49,195	44,324	450,904
Operating Income	4,097	5,349	5,407	36,358
Net Income*	3,137	3,858	3,726	27,841

Per Share Data	Yen			U.S. Dollars
Total Net Assets	¥2,285.62	¥ 2,215.29	¥1,990.19	$ 20.28
Net Income*	146.79	179.38	165.21	1.30
Cash Dividends	30.00	28.00	24.00	0.27

Note: Transaction into U.S. dollars has been made, solely for the reader's convenience, at the rate of ¥112.69 to U.S.$1, prevailing on the Tokyo Foreign Exchange Market on March 31, 2016.

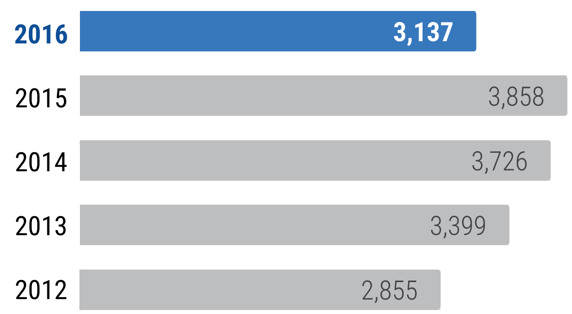
Net Sales

¥ million



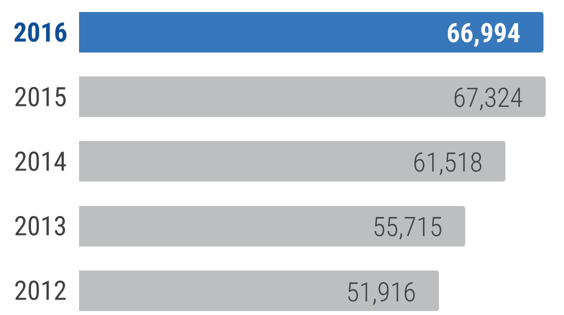
Net Income*

¥ million



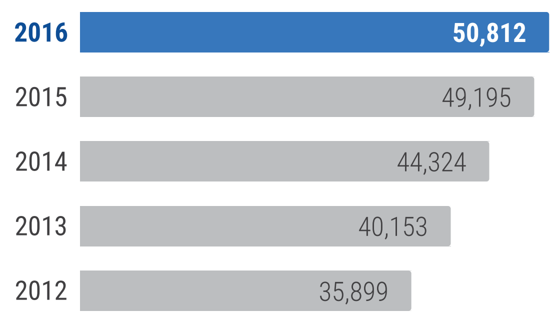
Total Assets

¥ million



Total Net Assets

¥ million



* Net Income attributable to owners of the parent.

TO OUR SHAREHOLDERS

Denyo Co., Ltd.

Shoichi Shiratori,
President

In fiscal **2016** (ended March 31, 2016), the Japanese economic outlook was uncertain due to the deceleration of the Chinese economy and the appreciation of the yen since the start of the year, despite signs of an improvement in corporate earnings and the employment and income situation. Meanwhile, the global economy remained generally firm, despite signs of a deceleration in emerging economies partly due to the effects of the falling oil price.

Regarding the business environment surrounding the Denyo Group, in Japan, public investment was trending downward, despite firm construction demand in areas such as construction work to address aging infrastructure and redevelopment construction work in the Tokyo Metropolitan area, and a cautious stance toward capital investment was also seen in some parts of the private sector due to concerns over the economic outlook. Meanwhile, overseas, demand remained firm in Asian markets and Middle and Near East markets.

Under these circumstances, the Denyo Group actively launched new products and also worked to expand sales overseas. However, consolidated net sales were ¥50,420 million (US$447,421 thousand), down 3.5% year on year. Profitability was negatively affected by factors such as decline in shipments of products with comparatively high profit margins and higher fixed costs at the Vietnam Plant, and consolidated operating income was ¥4,097 million (US$36,358 thousand), a 23.4% decrease year on year, consolidated ordinary income was ¥4,495 million (US$39,886 thousand), down 21.9% year on year, and profit attributable to owners of the parent was ¥3,137 million (US$27,841 thousand), falling 18.7% year on year.

The year-end dividend was an ordinary dividend of ¥16 (US$0.14) per share, which together with the interim dividend of ¥14 (US$0.12) per share, made the total payout for the year ¥30 (US$0.27) per share, a ¥2 (US$0.02) increase from the previous year.

Regarding the future business outlook, domestic construction demand in areas such as redevelopment in the Tokyo Metropolitan area and construction work related to the Tokyo Olympics is expected to remain firm, but given destabilizing factors such as the impact on the world economy of deceleration in China and resource-rich countries and oil price and exchange rate fluctuations, the outlook remains uncertain.

Under these conditions, the Denyo Group will concentrate on providing products and services that match customer needs in domestic and overseas markets and work to expand sales channels, while at the same time also focusing on improving production efficiency.

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

June 29, 2016

S. Shiratori

Shoichi Shiratori, President

REVIEW OF OPERATIONS

Simul Generator for simultaneous three-phase and single-phase output

Denyo developed the new Simul Generator, a three-phase/single-phase three-wire system that is able to simultaneously output three-phase and single-phase power, and started sales of the two models: DCA-60LSIE-D (60kVA 3-phase) and DCA-45LSKE-D (45kVA 3-phase) in August 2015 and October 2015 respectively.

With previous Denyo generators, when powering three-phase machinery such as water pumps and compressors and single-phase gadgets such as the lighting and air-conditioning of temporary offices, users had to switch between three-phase and single-phase output, also were only able to use one or the other. Users had to install both a three-phase generator and a single-phase generator in order to use both simultaneously.

The Simul Generator uses a three-phase/single-phase independent windings system and can simultaneously supply three-phase and single-phase power, making it adaptable to a wide range of worksites without any switchover operation.

The Simul Monitor, developed with the Simul Generator, has a number display and power gauge that clearly indicate power generation status, making it easy for users to check how much power they have left.

The Simul Generator is also equipped as standard with an Eco-base. The oil guard at the base on the unit stops any fuel spillages or oil leaks during refueling, making the Simul Generator safe to use even in places where there are strict installation criteria such as rivers and ports.

Simul Monitor

LP Gas Standby Generating Set For Emergency Equipment LEG-40SSGF

Denyo's LEG-40SSGF LP Gas Standby Generating Set for emergency equipment received a certificate of compliance with the Fire Service Act of Japan in August 2015. This is the first time that the Nippon Engine Generator Association, which is a registered certifying agency for private power generating equipment under the provisions of the Enforcement Rules of the Fire Service Act, approved for a certificate of compliance with the Fire Service Act for an LP gas standby generating set.

When a large-scale disaster occurs, and lifelines such the electricity and gas supply are cut off and it will take time for them to be restored, LP gas is used as fuel for cooking, hot water supply, heating, etc. at temporary housing and evacuation centers because it is a form of energy that can be used at a comparatively early stage. Fueled by LP Gas, Denyo's LEG Power series of LP Gas Standby Generating Sets has earned the trust of many customers and, since its launch in 2011 to the present, we have shipped more than 1,100 sets.

Now that the LEG Power series includes a product that has been approved for a certificate of compliance with the Fire Service Act, our sets will start to be used as emergency power sources for firefighting equipment such as sprinklers and fire hydrants and we hope that this will lead to further expansion in demand.

Small-sized Engine-driven Welder/Generator GAW-190ES

In October 2015, Denyo launched GAW-190ES, which increased the maximum welding current of our gasoline engine-driven welders from 185A to 190A, enabling more powerful, stable welding.

Our previous model (in the same class) was well received by the industry because it is small and lightweight and, with a maximum welding current of 185A, enables stable welding of welding rods up to 4.0 mm in diameter, and it is one of our core products. The new product GAW- 190ES increased the maximum welding current by 5A to 190A, enabling more powerful, stable welding, while as a generator, it increased the inverter alternating current from 3.0kVA to 3.5kVA.

GAW- 190ES is also equipped as standard with an automatic idling stop function so that the engine automatically cuts off if welding stops for more than a set amount of time. This helps save fuel and also reduces CO2 emissions, making the GAW- 190ES an eco-friendly product. It is also possible to switch between “constant current characteristic,” where the welding current stays the same even if the arc length changes, and “drooping characteristic,” that enables adjustment of bead width, depth and drooping through subtle allowances with a switch so that users can adjust the gradient of droop characteristics according to use or preference.

As a leader manufacturer of engine-driven welders, Denyo will continue to develop welders that meet the needs of its customers.

Denyo Manufacturing Corporation 20th Anniversary

Established in 1995, Denyo Manufacturing Corporation (“DMC”), the Denyo Group’s production base in Kentucky in the US, celebrated its 20th anniversary and also produced its 60,000th generator.

In August 2015, DMC held a ceremony to commemorate its 20th anniversary. The ceremony was attended by the Mayor of the City of Danville and other dignitaries, DMC staff and other Denyo related people.

Denyo began making inroads into the North American market in 1982 and, later, established DMC in Danville, Kentucky, in response to steady growth in sales volume and exchange rate fluctuations. Since then, DMC has played an important role as the Denyo Group’s production base in North America.

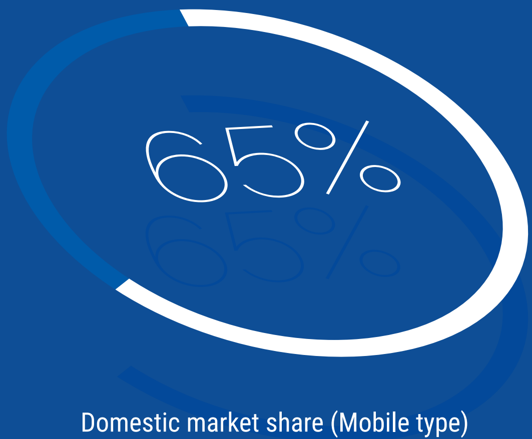
DMC has also won recognition for its environmental efforts, winning the Kentucky Manufacturer of the Year award for its contribution to the environment and the community, as well as being selected as a company that contributes to the environment and winning the MVP2 Award (Most Valuable Pollution Prevention Award). Moving forward, DMC will continue contributing to the environment and the community and supplying generators to the North American market, a key market for the Denyo Group, aiming to make another leap forward.

OVERVIEW OF PRODUCT SEGMENT

Business performance by product category and domestic market share

ENGINE GENERATORS

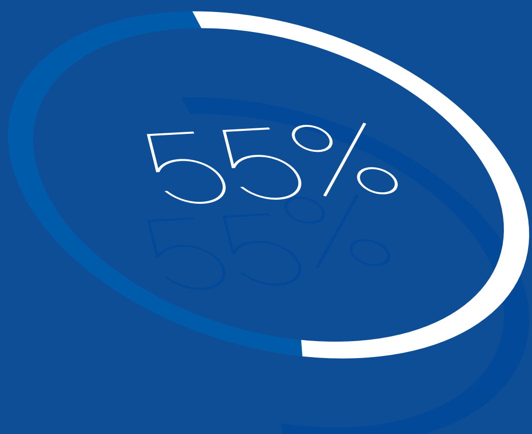
In the engine generators segment, shipments of medium- and large-sized generators to the Asian and Middle and Near East markets were firm in overseas business, but sales to major leasing and rental companies decreased in domestic business, resulting in segment sales of ¥38,295 million (US$339,825 thousand), down 4.5% year on year.



Domestic market share (Mobile type)

ENGINE WELDERS

In the engine welders segment, growth in shipments of products such as TIG welders was offset by decline in shipments of small-sized welders in domestic business. Also in overseas business, shipments to European markets were sluggish. As a result, segment sales were ¥5,101 million (US$45,263 thousand), falling 8.2% year on year.



Domestic market share

ENGINE COMPRESSORS

In the compressors segment, shipments to the leasing and rental industry, which is the main customer in this segment, declined in domestic business, resulting in segment sales of ¥1,105 million (US$9,803 thousand), decreasing 2.0% year on year.

Domestic market share

OTHER PRODUCTS

In the other products segment, sales were ¥5,920 million (US$52,529 thousand), up 7.5% year on year, mainly due to growth in sales of self-propelled lifters and parts incidental to products, etc.

Note: Above domestic share is five year mean by our investigation

CONSOLIDATED FINANCIAL STATEMENTS

for

the Year Ended March 31, 2016, and Independent Auditor's Report

Denyo Co., Ltd.

and Subsidiaries

FINANCIAL REVIEW

BUSINESS ENVIRONMENT AND RESULTS

In fiscal 2016 (ended March 31, 2016), the Japanese economic outlook was uncertain due to the deceleration of the Chinese economy and the appreciation of the yen since the start of the year, despite signs of an improvement in corporate earnings and the employment and income situation. Meanwhile, the global economy remained generally firm, despite signs of deceleration in emerging economies partly due to the effects of the falling oil price.

Regarding the business environment surrounding the Denyo Group, in Japan, public investment was in a downward trend, despite firm construction demand in areas such as construction work to address aging infrastructure and redevelopment construction work in the Tokyo Metropolitan area, and a cautious stance on capital investment was also seen in some parts of the private sector due to concerns over the economic outlook. Meanwhile, overseas, demand remained firm in Asian markets and Middle and Near East markets.

Under these circumstances, the Denyo Group actively launched new products and also worked to expand sales overseas. However, consolidated net sales were ¥50,420 million (US$447,421 thousand), down 3.5% year on year. Profitability was negatively affected by factors such as decline in shipments of products with comparatively high profit margins and higher fixed costs at the Vietnam Plant, and consolidated operating income was ¥4,097 million (US$36,358 thousand), a 23.4% decrease year on year, consolidated ordinary income was ¥4,495 million (US$39,886 thousand), down 21.9% year on year, and net income attributable to owners of the parent was ¥3,137 million (US$27,841 thousand), falling 18.7% year on year.

SEGMENT INFORMATION

Sales by product are as follows.

In the engine generators segment, shipments of medium- and large-sized generators to the Asian and Middle and Near East markets were firm in overseas business, but sales to major leasing and rental companies decreased in domestic business, resulting in segment sales of ¥38,295 million (US$339,825 thousand), down 4.5% year on year.

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In the compressors segment, shipments to the leasing and rental industry, which is the main customer in this segment, declined in domestic business, resulting in segment sales of ¥1,105 million (US$9,803 thousand), decreasing 2.0% year on year.

In the other products segment, sales were ¥5,920 million (US$52,529 thousand), up 7.5% year on year, mainly due to growth in sales of self-propelled lifters and parts incidental to products, etc.

Information by geographical area is as follows.

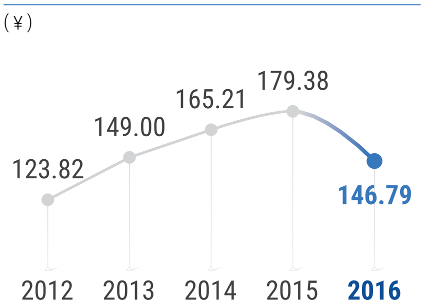
(Japan)
In Japan, shipments of generators grew overall, with increased shipments of generators to the Asian and Middle and Near East markets, but some portion of shipments of equipment generators to the domestic market was affected by apparent caution over buying caused by concerns about the economic outlook and construction work delays which had occurred due to shortages of construction materials and labor. As a result, sales were ¥38,005 million (US$337,253 thousand), down 0.3% year on year, and operating income was ¥2,683 million (US$23,812 thousand), down 17.3%.

(U.S.)
In the U.S., shipments of generators to the rental market declined, resulting in sales of ¥7,308 million (US$64,848 thousand), down 18.6% year on year, and operating income of ¥777 million (US$6,898 thousand), falling 34.4% year on year.

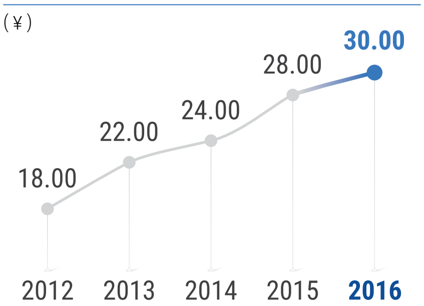
(Asia)
In Asia, demand for generators for the construction of airports, ports and other infrastructure and demand for equipment generators among companies was firm. However, demand for the development of resources was weak. As a result, sales were ¥4,586 million (US$40,694 thousand), down 2.6% year on year. Operating income was ¥241 million (US$2,138 thousand), falling 65.8% year on year, partly due to higher fixed costs associated with the start of production of finished generator products at the Vietnam Plant.

(Europe)
In Europe, shipments of generators grew, resulting in sales of ¥521 million (US$4,626 thousand), rising 8.8% year on year, and operating income of ¥16 million (US$146 thousand), up 144.7%.

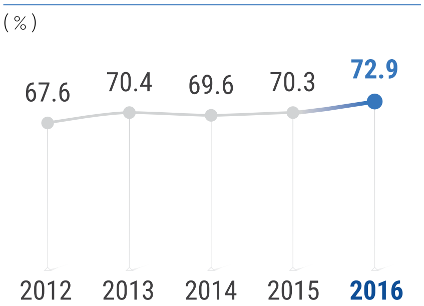
Net Income per Share



Cash Dividends per Share



Equity Ratio



FINANCIAL POSITION

(Assets)
Total assets at the end of the fiscal year under review were ¥66,994 million (US$594,502 thousand), a decrease of ¥330 million (US$2,926 thousand) from the end of the previous fiscal year.

Current assets at the end of the fiscal year under review were ¥42,247 million (US$374,894 thousand), an increase of ¥1,391 million (US$12,341 thousand) from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥569 million (US$5,052 thousand) and an increase in securities of ¥400 million (US$3,549 thousand).

Non-current assets at the end of the fiscal year under review were ¥24,748 million (US$219,608 thousand), down ¥1,720 million (US$15,267 thousand) from the end of the previous fiscal year. This was mainly due to a decrease in investments in securities of ¥1,534 million (US$13,615 thousand) reflecting the revaluation of stockholdings.

(Liabilities)
Total liabilities at the end of the fiscal year under review were ¥16,182 million (US$143,597 thousand), decreasing ¥1,947 million (US$17,277 thousand) from the end of the previous fiscal year.

Current liabilities at the end of the fiscal year under review were ¥12,455 million (US$110,529 thousand), down ¥941 million (US$8,350 thousand) from the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts payable-trade of ¥186 million (US$1,649 thousand) and a drop in short-term loans payable or ¥400 million (US$3,548 thousand).

Non-current liabilities at the end of the fiscal year under review were ¥3,727 million (US$33,069 thousand), decreasing ¥1,006 million (US$8,927 thousand) from the end of the previous fiscal year. This was mainly due to a reduction in deferred tax liabilities of ¥618 million (US$5,484 thousand).

(Net assets)
Net assets at the end of the fiscal year under review was ¥50,812 million (US$450,904 thousand), an increase of ¥1,617 million (US$14,351 thousand) from the end of the previous fiscal year. This is mainly due to profit attributable to owners of the parent of ¥3,137 million (US$27,841 thousand) and a ¥1,020 million (US$9,054 thousand) decrease in valuation difference on available-for-sale securities.

CASH FLOWS

The status of cash flows and the factors affecting cash flows in the fiscal year under review are as follows.

Cash flows from operating activities
Net cash provided by operating activities was ¥2,973 million (US$26,382 thousand), a decrease of ¥2,105 million (US$18,683 thousand) from the previous fiscal year. This mainly reflected profit before income taxes of ¥4,805 million (US$42,642 thousand), and an increase in notes and accounts receivable-trade of ¥213 million (US$1,896 thousand) and an increase in inventories of ¥398 million (US$3,530 thousand) and income taxes paid of ¥1,530 million (US$13,580 thousand).

Cash flows from investing activities
Net cash used in investing activities was ¥775 million (US$6,880 thousand), a decrease of ¥1,867 million (US$16,565 thousand) from the previous fiscal year. This mainly reflected ¥1,046 million (US$9,285 thousand) in payments for the purchase of property, plant and equipment such as buildings and machinery and transportation equipment.

Cash flows from financing activities
Net cash used in financing activities was ¥1,181 million (US$10,483 thousand), a decrease of ¥607 million (US$5,390 thousand) from the previous fiscal year. This mainly reflected repayments of long-term loans payable of ¥400 million (US$3,550 thousand) and dividends paid of ¥667 million (US$5,918 thousand).

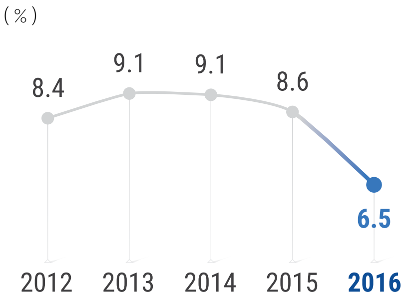
As a result, consolidated cash and cash equivalents (hereinafter "cash") were ¥11,746 million (US$104,229 thousand) at the end of the fiscal year under review, increasing ¥969 million (US$8,600 thousand) from the end of the previous fiscal year, mainly due to profit before income taxes of ¥4,805 million (US$42,642 thousand).

DIVIDENDS

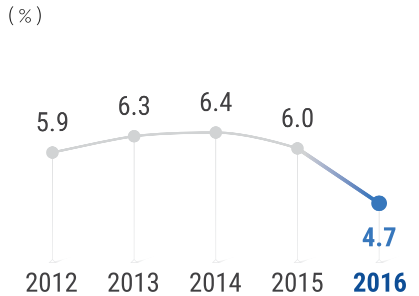
Denyo recognizes the importance of returning profits to shareholders, while investing in equipment and research & development to strengthen and maintain product competitiveness and striving to improve profitability and strengthen the financial structure. Our policy is to distribute profits based on comprehensive consideration of a wide range of factors including business performance and the payout ratio.

Based on this policy, for fiscal 2016, we paid an interim dividend of ¥14 (US$0.12) per share and, for the year-end dividend, given that large-scale capital investment is expected to settle down for a time following a period of brisk activity, we decided to pay an ordinary dividend of ¥16 (US$0.14) per share, resulting in a total annual dividend of ¥30 (US$0.27) per share, which is an increase of ¥2 (US$0.02) over the previous year. As a result, the consolidated dividend payout ratio was 20.4%.

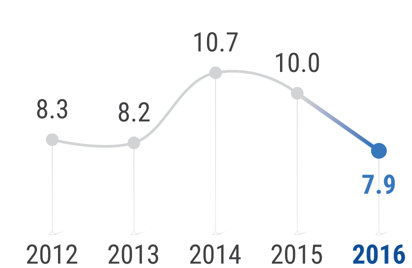
Return on Average Shareholders' Equity



Return on Average Assets (ROA)



Price Earnings Ratio



DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2016

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2016	2015	2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 11,746	¥ 10,776	$ 104,229
Receivables (Note 14):			
Trade notes	5,737	6,349	50,910
Trade accounts	10,840	10,628	96,192
Associated companies (Note 20)	2,738	2,198	24,301
Other	143	177	1,267
Allowance for doubtful receivables	(26)	(43)	(228)
Inventories (Note 5)	10,338	10,062	91,742
Deferred tax assets (Note 11)	517	575	4,589
Prepaid expenses and other current assets	214	134	1,892
Total current assets	42,247	40,856	374,894
PROPERTY, PLANT AND EQUIPMENT:			
Land	4,855	4,863	43,085
Buildings and structures	12,359	12,072	109,671
Machinery and equipment (Note 13)	6,703	5,722	59,480
Furniture and fixtures	1,706	1,684	15,138
Construction in progress	26	1,079	233
Total	25,649	25,420	227,607
Accumulated depreciation	(10,231)	(9,613)	(90,785)
Net property, plant and equipment	15,418	15,807	136,822
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	7,716	9,326	68,473
Investments in associated companies (Note 6)	697	621	6,182
Deferred tax assets (Note 11)	59	58	527
Other assets	857	656	7,604
Total investments and other assets	9,329	10,661	82,786
TOTAL	¥ 66,994	¥ 67,324	$ 594,502

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2016	2015	2016
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 14)	¥ 233	¥ 233	$ 2,067
Current portion of long-term debt (Notes 7 and 14)	4	400	32
Payables (Note 14):			
Trade notes	2,095	1,817	18,591
Trade accounts	7,907	8,375	70,169
Associated companies	18	14	157
Other	122	145	1,080
Accrued income taxes (Note 11)	393	519	3,489
Accrued expenses	1,319	1,530	11,702
Provision for product warranties	122	90	1,078
Other current liabilities	242	273	2,164
Total current liabilities	12,455	13,396	110,529
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	1,135	1,215	10,075
Liability for retirement benefits (Note 9)	441	471	3,912
Deferred tax liabilities (Note 11)	1,577	2,195	13,991
Other long-term liabilities	574	852	5,091
Total long-term liabilities	3,727	4,733	33,069
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 16)			
EQUITY (Note 10):			
Common stock—authorized, 97,811,000 shares;			
issued, 22,859,660 shares in 2016 and 22,859,660 shares in 2015	1,955	1,955	17,347
Capital surplus	1,779	1,754	15,791
Retained earnings	42,344	39,873	375,756
Treasury stock—at cost, 1,484,961 shares in 2016 and 1,491,904 shares in 2015 (Note 3)	(1,381)	(1,359)	(12,256)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,014	4,034	26,747
Deferred gain on derivatives under hedge accounting		1	
Foreign currency translation adjustments	1,142	1,087	10,139
Defined retirement benefit plans	1	(9)	5
Total	48,854	47,336	433,529
Noncontrolling interests	1,958	1,859	17,375
Total equity	50,812	49,195	450,904
TOTAL	¥ 66,994	¥ 67,324	$ 594,502

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2016

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES (Note 19)	¥ 50,420	¥ 52,267	$ 447,421
COST OF SALES	38,263	39,155	339,541
Gross profit	12,157	13,112	107,880
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	8,060	7,763	71,522
Operating income	4,097	5,349	36,358
OTHER INCOME (EXPENSES):			
Interest and dividend income	175	181	1,553
Interest expense	(43)	(42)	(379)
Gain on sale of property, plant and equipment	312	1	2,772
Loss on sale or disposal of property, plant and equipment	(2)	(3)	(17)
Gain on sale of investment securities (Note 4)		300	
Foreign exchange (loss) gain	(10)	104	(88)
Equity in earnings of associated companies	92	61	821
Rent income	83	56	739
Commitment fee	(7)	(7)	(62)
Other—net	108	54	945
Other income—net	708	705	6,284
INCOME BEFORE INCOME TAXES	4,805	6,054	42,642
INCOME TAXES (Note 11):			
Current	1,383	1,863	12,273
Deferred	21	131	189
Total income taxes	1,404	1,994	12,462
NET INCOME—(Forward)	¥ 3,401	¥ 4,060	$ 30,180
NET INCOME ATTRIBUTABLE TO:			
Owners of the parent	3,137	3,858	27,841
Noncontrolling interests	264	202	2,339
NET INCOME	3,401	4,060	30,180
OTHER COMPREHENSIVE (LOSS) INCOME (Note 17):			
Unrealized (loss) gain on available-for-sale securities	(1,017)	826	(9,025)
Deferred (loss) gain on derivatives under hedge accounting	(1)	1	(10)
Foreign currency translation adjustments	(27)	992	(234)
Defined retirement benefit plans	10	(27)	87
Share of other comprehensive loss in associates	(3)		(29)
Total other comprehensive (loss) income	(1,038)	1,792	(9,211)
COMPREHENSIVE INCOME	¥2,363	¥ 5,852	$ 20,969
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 2,182	¥ 5,458	$ 19,365
Noncontrolling interests	181	394	1,604

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net income (Note 18)	¥ 146.79	¥ 179.38	$ 1.30
Cash dividends applicable to the year	30.00	28.00	0.27

See notes to consolidated financial statements.

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Thousands	Millions of Yen										
						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	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported).	21,515	¥1,955	¥1,754	¥38,458	¥(2,861)	¥ 3,208		¥ 288	¥ 18	¥42,820	¥ 1,504	¥ 44,324
Cumulative effect of accounting change...				(103)						(103)		(103)
BALANCE, APRIL 1, 2014 (as restated)	21,515	1,955	1,754	38,355	(2,861)	3,208		288	18	42,717	1,504	44,221
Net income attributable to owners of the parent..				3,858						3,858		3,858
Cash dividends, ¥28 per share				(559)						(559)		(559)
Purchase of treasury stock	(150)				(281)					(281)		(281)
Selling of treasury stock	3				2					2		2
Retirement of treasury stock				(1,781)	1,781							
Net change in the year ..						826	¥ 1	799	(27)	1,599	355	1,954
BALANCE, MARCH 31, 2015	21,368	1,955	1,754	39,873	(1,359)	4,034	1	1,087	(9)	47,336	1,859	49,195
Net income attributable to owners of the parent..				3,137						3,137		3,137
Cash dividends, ¥30 per share..............				(666)						(666)		(666)
Purchase of treasury stock	(1)				(2)					(2)		(2)
Selling of treasury stock	8				5					5		5
Disposal of treasury stock			25		(25)							
Net change in the year ..						(1,020)	(1)	55	10	(956)	99	(857)
BALANCE, MARCH 31, 2016	21,375	¥1,955	¥1,779	¥42,344	¥(1,381)	¥ 3,014		¥ 1,142	¥ 1	¥ 48,854	¥ 1,958	¥ 50,812
		Thousands of U.S.Dollars (Note 1)										
BALANCE, MARCH 31, 2015		$ 17,347	$ 15,569	$ 353,833	$ (12,063)	$ 35,801	$ 10	$ 9,638	$ (81)	$ 420,054	$ 16,500	$ 436,554
Net income attributable to owners of the parent..				27,841						27,841		27,841
Cash dividends, $0.27 per share				(5,918)						(5,918)		(5,918)
Purchase of treasury stock					(12)					(12)		(12)
Selling of treasury stock					41					41		41
Disposal of treasury stock			222		(222)							
Net change in the year ..						(9,054)	(10)	501	86	(8,477)	875	(7,602)
BALANCE, MARCH 31, 2016		$ 17,347	$ 15,791	$ 375,756	$ (12,256)	$ 26,747		$ 10,139	$ 5	$ 433,529	$ 17,375	$ 450,904

See notes to consolidated financial statements.

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 4,805	¥ 6,054	$ 42,642
Adjustments for:			
Income taxes paid	(1,530)	(2,422)	(13,580)
Depreciation and amortization	1,284	999	11,398
(Gain) loss on sale or disposal of property, plant and equipment—net	(311)	2	(2,755)
Equity in earnings of associated companies	(92)	(61)	(821)
Changes in assets and liabilities, net of effects:			
(Increase) decrease in trade notes and accounts receivable	(214)	932	(1,896)
Increase in inventories	(398)	(1,470)	(3,530)
Decrease in interest and dividend receivable	11	14	99
(Decrease) increase in trade notes and accounts payable	(54)	1,260	(481)
Increase in interest payable	1	2	12
Decrease in provision for allowance for doubtful accounts	(15)	(15)	(133)
(Decrease) increase in liability for retirement benefits	(24)	60	(217)
Other—net	(490)	(277)	(4,356)
Total adjustments	(1,832)	(976)	(16,260)
Net cash provided by operating activities	2,973	5,078	26,382
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	369	2	3,270
Purchases of property, plant and equipment	(1,046)	(2,611)	(9,285)
Proceeds from sales of securities		396	
Purchases of securities	(2)	(371)	(20)
Investment in loans receivable	(11)	(7)	(98)
Collections of loans receivable	12	15	106
Increase in time deposit	(242)		(2,148)
Decrease in time deposit	242		2,148
Other—net	(97)	(66)	(853)
Net cash used in investing activities	(775)	(2,642)	(6,880)
FORWARD	¥ 2,198	¥ 2,436	$ 19,502
FINANCING ACTIVITIES:			
Decrease in short-term loans—net		(476)	
Repayment of long-term debt	(400)	(400)	(3,550)
Proceeds from sales of treasury stock	3		29
Purchases of treasury stock		(280)	
Dividends paid	(667)	(559)	(5,918)
Other—net	(117)	(74)	(1,044)
Net cash used in financing activities	(1,181)	(1,789)	(10,483)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(47)	297	(419)
NET INCREASE IN CASH AND CASH EQUIVALENTS	970	944	8,600
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,776	9,832	95,629
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 11,746	¥ 10,776	$ 104,229

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 ¥112.69 to $1, the approximate rate of exchange at March 31, 2016. 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, 2016, 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 and influence concepts, 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," an 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 subsidiary were consolidated using the financial statements as of December 31 because the difference between the fiscal year end date of the subsidiaries and that of the Company 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" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. 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 (Financial Accounting Standards Board Accounting Standards Codification) 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (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.

c. ***Business Combinations*—**In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(b) Presentation of the consolidated statement of income and comprehensive income—In the consolidated statement of income and comprehensive income, "net income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

The Company applied the revised accounting standards and guidance above, effective April 1, 2015.

With respect to (a) presentation of the consolidated balance sheet and (b) presentation of the consolidated statement of income and comprehensive income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

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.

Nonmarketable 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 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 subsidiary 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, 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, all 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, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases "expected to be certain" to salary increases "expected," and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, decreased by ¥103 million.

l. ***Employee Stockownership Plan***—In December 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 stockownership 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 shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Company applied this PITF effective April 1, 2014, retrospectively. As a result, other current liabilities as of March 31, 2014, increased by ¥42 million and liability for retirement benefits, capital surplus, retained earnings and treasury stock as of March 31, 2014, decreased by ¥139 million, ¥1 million, ¥76 million and ¥142 million, respectively, as compared to those previously reported.

m. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

n. ***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.

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 be capitalized by recognizing 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.

All other leases are accounted for as operating leases.

o. ***Bonuses to Directors and Audit & Supervisory Board Members***—Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

p. ***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.

q. ***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.

r. ***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.

s. ***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.

t. ***Per Share Information***—Basic net income per share is computed by dividing net income attributable 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.

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

v. New Accounting Pronouncement

Tax Effect Accounting—On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. STOCK GRANTING TRUST ("J-ESOP" and "BBT")

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

The Company grants employees points according to their continued services and results, and when the employees retire, the Company delivers to them its own stock (or pays an equivalent amount in cash) corresponding to the number of their accumulated points through the Trust.

The Company has introduced a new stock compensation plan for directors called the "Board Benefit Trust (BBT)" since September 1, 2015. The Company grants its directors points according to the Company's business results, etc., and the Company delivers to the directors who have beneficiary rights its own stock corresponding to the number of their accumulated points determined on a given date every year through the Trust.

These Trusts held treasury stock as follows which was included in the balance sheet of the Company:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Treasury stock	¥ 552	¥ 478	$ 4,898
(number of shares (thousands of shares))	(826)	(793)	

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Non-current:			
Marketable equity securities	¥ 6,563	¥ 8,162	$ 58,238
Marketable trust fund investments and other	130	141	1,155
Nonmarketable equity securities	1,023	1,023	9,079
Total	¥ 7,716	¥ 9,326	$ 68,472

The cost and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 2,240	¥ 4,378	¥ 55	¥ 6,563
Trust fund investments and other	150		20	130
March 31, 2015				
Securities classified as available-for-sale:				
Equity securities	¥ 2,238	¥ 5,924		¥ 8,162
Trust fund investments and other	157	2	¥ 18	141

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$ 19,879	$ 38,849	$ 490	$ 58,238
Trust fund investments and other	1,335		180	1,155

The information of available for sale securities which were sold during the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Loss
Available-for-sale—Equity securities			
March 31, 2015			
Available-for-sale—Equity securities	¥ 396	¥ 300	

	Thousands of U.S. Dollars		
March 31, 2016	Proceeds	Realized Gains	Realized Loss
Available-for-sale—Equity securities			

5. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products	¥ 5,696	¥ 5,214	$ 50,552
Work in process	1,103	894	9,786
Raw materials and supplies	3,539	3,954	31,404
Total	¥ 10,338	¥ 10,062	$ 91,742

6. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments—New Japan Machinery Corporation	¥ 697	¥ 621	$ 6,182
Total	¥ 697	¥ 621	$ 6,182

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Shor-term bank loans at March 31, 2016 and 2015, consisted of bank overdrafts. The weighted-average interest rate applicable to the short-term bank loans was 0.8% at March 31, 2016 and 2015.

Long-term debt, excluding finance leases (see Note 13), at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unsecured loans from banks, with interest rates at 3.4% (2016) and ranging from 1.5% to 3.5% (2015)	¥ 1,127	¥ 1,603	$ 10,000
Obligations under finance leases	12	12	106
Total	1,139	1,615	10,106
Less current portion	(4)	(400)	(31)
Long-term debt, less current portion	¥ 1,135	¥ 1,215	$ 10,075

Annual maturities of long-term debt at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017		
2018		
2019		
2020		
2021 and thereafter	¥ 1,127	$ 10,000
Total	¥ 1,127	$ 10,000

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 ($26,622 thousand) as of March 31, 2016. The Company had no borrowings outstanding under the agreement as of March 31, 2016.

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.

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥ 2,734	¥ 2,520	$ 24,267
Cumulative effect of accounting change		159	
Balance at beginning of year (as restated)	2,734	2,679	24,267
Current service cost	166	194	1,469
Interest cost	21	21	191
Actuarial losses	8	49	70
Benefits paid	(151)	(212)	(1,339)
Others	(13)	3	(116)
Balance at end of year	¥ 2,765	¥ 2,734	$ 24,542

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 2,355	¥ 2,350	$ 20,902
Expected return on plan assets	31	31	272
Actuarial gains (losses)	13	(4)	119
Contributions from the employer	177	172	1,572
Benefits paid	(147)	(199)	(1,308)
Others	(2)	5	(16)
Balance at end of year	¥ 2,427	¥ 2,355	$ 21,541

(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
	2016	2015	2016
Funded defined benefit obligation	¥ 2,649	¥ 2,616	$ 23,511
Plan assets	2,427	2,355	21,541
Total	222	261	1,970
Unfunded defined benefit obligation	116	118	1,031
Liability for stock granting retirement	103	92	911
Net liability arising from defined benefit obligation	¥ 441	¥ 471	$ 3,912

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ 441	¥ 471	$ 3,912
Net liability arising from defined benefit obligation	¥ 441	¥ 471	$ 3,912

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 165	¥ 194	$ 1,469
Interest cost	21	21	191
Expected return on plan assets	(31)	(31)	(272)
Recognized actuarial losses	2		21
Stock granting cost	39	32	344
Net periodic benefit costs	¥ 196	¥ 216	$ 1,753

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended

March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial losses (gains)	¥ 14	¥ (41)	$ 128

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of
March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial losses (gains)	¥ 1	¥ (14)	$ 8

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
General account managed by a life insurance company	98.8%	98.3%
Others	1.2	1.7
Total	100.0%	100.0%

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.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	Mainly 0.60%	Mainly 0.60%
Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
Expected rate of future salary increase	Mainly 1.90%	Mainly 1.90%

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. Additionally, 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 being prescribed as one year rather than the normal two-year 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 (noncash 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 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 within equity 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 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 normal effective statutory tax rates of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Accrued bonuses	¥ 183	¥ 221	$ 1,622
Provision for product warranties	41	29	362
Accrued enterprises taxes	37	45	329
Unrealized gain on sale of inventory	99	75	881
Unrealized gain on sale of property	21	20	193
Liability for retirement benefits	135	142	1,196
Loss on revaluation of investment securities	24	25	212
Tax loss carryforwards	98	70	867
Other	276	292	2,452
Less valuation allowance	(156)	(131)	(1,386)
Total	758	788	6,728
Deferred tax liabilities:			
Reserve for deferred gains on sales of property	346	366	3,075
Unrealized gain on available-for-sale securities	1,298	1,886	11,520
Other	114	98	1,008
Total	1,758	2,350	15,603
Net deferred tax liabilities	¥ (1,000)	¥ (1,562)	$ (8,875)

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, 2016, with the corresponding figures for 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Expenses not deductible for income tax purposes	1.2	1.4
Income not recognizable for income tax purposes	(1.7)	(0.3)
Per capita portion of inhabitants' taxes	0.6	0.9
Tax credits	(2.9)	(2.9)
Lower income tax rates applicable to income in certain foreign countries	(0.1)	(1.7)
Valuation allowance	0.2	(0.7)
Effect of reduction of income tax rates on deferred tax assets		0.2
Other—net	(1.2)	0.4
Actual effective tax rate	29.2%	32.9%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 30.9% and for the fiscal year beginning on or after April 1, 2017, to approximately 30.6%. The effect of this change was immaterial.

At March 31, 2016, some subsidiaries have tax loss carryforwards aggregating approximately ¥394 million ($3,501 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	¥ 77	$ 685
2019	29	261
2020 and thereafter	288	2,555
Total	¥ 394	$ 3,501

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥467 million ($4,142 thousand) and ¥535 million for the years ended March 31, 2016 and 2015, respectively.

13. LEASES

The Group leases certain vehicles.

Lease payments under finance leases for the years ended March 31, 2016 and 2015, were ¥3 million ($29 thousand) and ¥1 million, respectively.

Obligations under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 4	¥ 3	$ 31
Due after one year	8	9	75
Total	¥ 12	¥ 12	$ 106

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 six 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 (copper) prices, and from changes in foreign currency exchange rates of receivables and advances. Please see Note 15 for more details 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.

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 (copper) prices.

The Company continuously reviews portfolios of securities by periodically monitoring fair values of each security and the financial condition of the issuer as well as market conditions and the relationship with the issuer.

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 quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Additionally, notional amounts of derivative transactions, which are presented in Note 15, "Derivatives," do not indicate market risk of derivative transactions. Also, please see Note 15 for the details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 11,746	¥ 11,746	
Receivables	19,432	19,432	
Investment securities	6,693	6,693	
Total	¥ 37,871	¥ 37,871	
Short-term bank loans	¥ 233	¥ 233	
Payables	10,142	10,142	
Long-term debt	1,139	1,268	¥ (129)
Total	¥ 11,514	¥ 11,643	¥ (129)
Derivatives	¥ (441)	¥ (441)	
March 31, 2015			
Cash and cash equivalents	¥ 10,776	¥ 10,776	
Receivables	19,309	19,309	
Investment securities	8,303	8,303	
Total	¥ 38,388	¥ 38,388	
Short-term bank loans	¥ 233	¥ 233	
Payables	10,351	10,351	
Long-term debt	1,615	1,664	¥ (49)
Total	¥ 12,199	¥ 12,248	¥ (49)
Derivatives	¥ (707)	¥ (707)	

	Thousands of U.S. Dollars		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	$ 104,229	$ 104,229	
Receivables	172,442	172,442	
Investment securities	59,393	59,393	
Total	$ 336,064	$ 336,064	
Short-term bank loans	$ 2,067	$ 2,067	
Payables	89,998	89,998	
Long-term debt	10,106	11,254	$ (1,148)
Total	$ 102,171	$ 103,319	$ (1,148)
Derivatives	$ (3,910)	$ (3,910)	

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 includes the 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
	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,023	¥ 1,023	$ 9,080

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

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2016	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	¥ 11,746		$ 104,229	
Receivables	19,432		172,442	
Investment securities		¥ 79		$ 703
Total	¥ 31,178	¥ 79	$ 276,671	$ 703

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			
March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/ Loss
Foreign currency forward contracts—				
Selling U.S.$	¥ 1,016	¥ 1,016	¥ (9)	¥ (9)
Currency swap contracts—				
Selling U.S.$	1,227	1,227	(430)	(430)
March 31, 2015				
Foreign currency forward contracts—				
Selling U.S.$	¥ 1,016	¥ 1,016	¥ (48)	¥ (48)
Currency swap contracts—				
Selling U.S.$	1,414	1,414	(661)	(661)

	Thousands of U.S. Dollars			
March 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/ Loss
Foreign currency forward contracts—				
Selling U.S.$	$ 9,016	$ 9,016	$ (85)	$ (85)
Currency swap contracts—				
Selling U.S.$	10,891	10,891	(3,824)	(3,824)

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen / Thousands of U.S. Dollars		
March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$ 10,000	$ 10,000	
March 31, 2015				
Commodity swaps (fixed price payment, quoted price receipt)	Inventories	¥ 27		¥ 2
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	400		
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$ 10,000	$ 10,000	

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).

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, 2016, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Export trade bill discounted	¥ 3	$ 35

17. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income, including reclassification adjustments and tax effects for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (1,605)	¥ 1,283	$ (14,242)
Reclassification adjustments to profit or loss		(299)	
Amount before income tax effect	(1,605)	984	(14,242)
Income tax effect	588	(158)	5,217
Total	¥ (1,017)	¥ 826	$ (9,025)
Deferred (loss) gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ (3)	¥ 2	$ (30)
Reclassification adjustments to profit or loss	2		15
Amount before income tax effect	(1)	2	(15)
Income tax effect		(1)	5
Total	¥ (1)	¥ 1	$ (10)
Foreign currency translation adjustments—			
Adjustments arising during the year	¥ (27)	¥ 992	$ (234)
Total	¥ (27)	¥ 992	$ (234)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 14	¥ (41)	$ 127
Amount before income tax effect	14	(41)	127
Income tax effect	(4)	14	(40)
Total	¥ 10	¥ (27)	$ 87
Share of other comprehensive income in associates—			
Losses arising during the year	¥ (3)		$ (29)
Total	¥ (3)		$ (29)
Total other comprehensive (loss) income	¥ (1,038)	¥ 1,792	$ (9,211)

18. NET INCOME PER SHARE

Basis for the computation of net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2016	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders..	¥ 3,137	21,373	¥ 146.79	$ 1.30
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders..	¥ 3,858	21,506	¥ 179.38	

As noted in Note 2.l, the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" effective April 1, 2014. In calculating the number of weighted-average shares above, the number of shares that are held by the Trust (810 thousand shares in 2016 and 794 thousand shares in 2015) is reflected.

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						
	2016						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers................	¥ 38,005	¥ 7,308	¥ 4,586	¥ 521	¥ 50,420		¥ 50,420
Intersegment sales or transfers...........	5,385	400	2,937	4	8,726	¥ (8,726)	
Total..	¥ 43,390	¥ 7,708	¥ 7,523	¥ 525	¥ 59,146	¥ (8,726)	¥ 50,420
Segment profit..	¥ 2,683	¥ 777	¥ 241	¥ 17	¥ 3,718	¥ 379	¥ 4,097
Segment assets...	55,789	5,491	12,248	606	74,134	(7,140)	66,994
Other:							
Depreciation and amortization	567	121	596		1,284		1,284
Investments in associated companies .	697				697		697
Increase in property, plant and equipment and intangible assets.........	702	26	397		1,125		1,125

	Millions of Yen						
	2016						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 38,101	¥ 8,981	¥ 4,706	¥ 479	¥ 52,267		¥ 52,267
Intersegment sales or transfers	4,675	368	2,911	4	7,958	¥ (7,958)	
Total	¥ 42,776	¥ 9,349	¥ 7,617	¥ 483	¥ 60,225	¥ (7,958)	¥ 52,267
Segment profit	¥ 3,245	¥ 1,185	¥ 705	¥ 7	¥ 5,142	¥ 207	¥ 5,349
Segment assets	56,336	5,989	12,219	459	75,003	(7,679)	67,324
Other:							
Depreciation and amortization	520	100	379		999		999
Investments in associated companies	621				621		621
Increase in property, plant and equipment and intangible assets	660	52	1,818	1	2,531		2,531

	Millions of Yen						
	2016						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$ 337,253	$ 64,848	$ 40,694	$ 4,626	$ 447,421		$ 447,421
Intersegment sales or transfers	47,789	3,550	26,060	32	77,431	$ (77,431)	
Total	$ 385,042	$ 68,398	$ 66,754	$ 4,658	$ 524,852	$ (77,431)	$ 447,421
Segment profit	$ 23,812	$ 6,898	$ 2,138	$ 146	$ 32,994	$ 3,364	$ 36,358
Segment assets	495,063	48,724	108,691	5,382	657,860	(63,358)	594,502
Other:							
Depreciation and amortization	5,035	1,074	5,287	2	11,398		11,398
Investments in associated companies	6,182				6,182		6,182
Increase in property, plant and equipment and intangible assets	6,233	227	3,523	2	9,985		9,985

Related Information

(1) Information about Products and Services

Information about products and services for the years ended March 31, 2016 and 2015, 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, 2016 and 2015, are summarized as follows:

	Millions of Yen				
	2016				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥ 30,115	¥ 9,776	¥ 6,922	¥ 3,607	¥ 50,420
Property, plant and equipment	9,443	850	5,124	1	15,418

	Millions of Yen				
	2015				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥ 31,468	¥ 11,234	¥ 6,619	¥ 2,946	¥ 52,267
Property, plant and equipment	9,398	945	5,463	1	15,807

	Thousands of U.S. Dollars				
	2016				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	$ 267,240	$ 86,754	$ 61,421	$ 32,006	$ 447,421
Property, plant and equipment	83,795	7,545	45,474	8	136,822

Note: Sales are classified by country or region based on the location of customers.

(3) Information about Major Customers

Sales to major customers for the years ended March 31, 2016 and 2015, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Name of Customers	2016	2015	2016	Related Segment
Multiquip Inc.	¥ 7,308	¥ 8,981	$ 64,848	United States of America

20. RELATED-PARTY TRANSACTIONS

The Company sold its products to New Japan Machinery Corporation, an associated company.

The transactions were made under usual terms and conditions.

The transactions with the associates for the years ended March 31, 2016 and 2015, and related balances at March 31, 2016 and 2015, were mainly as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Transactions—Sales	¥ 3,427	¥ 2,923	$ 30,412
Balances:			
Trade notes receivable	¥ 1,918	¥ 1,666	$ 17,016
Trade accounts receivable	803	515	7,124

21. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's Board of Directors' meeting held on May 20, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16 ($0.14) per share	¥ 356	$ 3,159

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, 2016, 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, 2016, 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 29, 2016

Deloitte Touche Tohmatsu LLC

Deloitte Touche Tohmatsu LLC

COMPANY DATA

COMPANY OUTLINE

(AS OF MARCH 31, 2016)

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.$17,347,001)
Authorized Shares	97,811,000
Issued Shares	22,859,660
Shareholders	4,756
Financial Year	April 1 to March 31
Employees	529 (1,165 consolidated)
Branch and Sales Offices	26

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(AS OF JUNE 29, 2016)

Chairman	Shigeru Koga
President	Shoichi Shiratori
Representative Director	Yoji Eto
Director & Executive Advisor	Hideaki Kuboyama
Director	Teruo Yashiro Yasuo Mizuno Toshiaki Tanaka Haruhito Takada* Reiko Asahina*
Audit & Supervisory Board Member	Toru Masui Masaru Sugiyama Akira Yamada* Yoshio Takeyama* Asterisk* indicates an external director or external audit & supervisory board member.

EXECUTIVE OFFICERS

Executive Vice President	Yoji Eto	
Managing Executive Officer	Teruo Yashiro	Chief Executive Production Division
Managing Executive Officer	Yasuo Mizuno	Chief Executive Sales Division
Senior Executive Officer	Toshiaki Tanaka	Chief Executive Development Division, General Manager Patent Administration Department Development Division
Senior Executive Officer	Yoshito Yamaguchi	Chief Executive Quality Management Division
Senior Executive Officer	Toshiya Tozawa	Chief Executive Administration Division
Senior Executive Officer	Satoru Kato	General Manager Sales Planning Department Sales Division
Senior Executive Officer	Yasuhiro Yamada	General Manager International Sales Department I Sales Division
Senior Executive Officer	Fumitoshi Arimitsu	General Manager Sales Promotion Department Sales Division
Executive Officer	Makoto Tanabe	General Manager General Affairs Department, Finance Department Administration Division
Executive Officer	Kenichi Hamanosono	General Manager Sales Department II Sales Division
Executive Officer	Sampei Sato	General Manager Development Department Development Division
Executive Officer	Kensaku Moriyama	General Manager East Japan Sales Department Sales Division
Executive Officer	Chiyoki Kimura	General Manager West Japan Sales Department Sales Division
Executive Officer	Michio Nonaka	General Manager Production Management Department Production Division
Executive Officer	Toshiaki Shimazu	General Director Denyo Vietnam Co., Ltd.
Executive Officer	Toru Hiroi	Chairman & CEO Denyo Manufacturing Corporation

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
Other Products	Water-related Equipment Self-propelled Lifters Construction-related Machinery Repair Parts

PLANTS AND R&D CENTER

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

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.
No.9 Neythal Road, Singapore 628614
Paid-in Capital: ¥600 million
Business: Sales of industrial electrical machinery

Denyo United Machinery Pte. Ltd.
No.9 Neythal Road, Singapore 628614
Paid-in Capital: S$ 3 million
Business: Sales, leasing and rental of industrial electrical machinery

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

Denyo Vietnam Co., Ltd.
Plot A3, Thang Long Industrial Park II, Yen My, Hung Yen, 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: Rp 13,563 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

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 to March 31
Common Stock	Authorized shares: 97,811,000 Issued shares: 22,859,660 (Included 610,138 shares of Company's own stock)
Stock Listing	Tokyo Stock Exchange, First Section (Code: 6517)
Shareholders	4,756
Transfer Agency	Tokyo Securities Transfer Agent Co., Ltd. 6F Kanda Nishiki-cho 3-chome Building 3-11, Kanda Nishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan

MAJOR SHAREHOLDERS

Shareholders	Shares held (thousands)	Voting right ratio (%)
Kyuei Corporation	1,600	7.19
Mizuho Bank, Ltd.	1,109	4.98
The Dai-ichi Life Insurance Co., Ltd.	872	3.92
Trust & Custody Services Bank, Ltd. (Trust Account)	826	3.71
Japan Trustee Services Bank, Ltd. (Trust Account)	601	2.70
Denyo Shin-eikai Group	587	2.63
Tsurumi Manufacturing Co., Ltd.	543	2.44
The Bank of Tokyo-Miusubishi UFJ, Ltd.	540	2.42
KUBOTA Corporation	500	2.25
State Street Bank and Trust Company 505103	460	2.07

Denyo Co., Ltd.

http://www.denyo.co.jp

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