2017
Annual Report
Year ended March 31, 2017

Denyo

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.

Governor of Kentucky's visit to Denyo in Japan

In March 2017, Matthew G. Bevin, Governor of the Commonwealth of Kentucky, and Terry R. Gill Jr., Secretary of the state's Cabinet for Economic Development, visited Denyo in Japan as part of their visits to Japanese companies that have close ties with the state of Kentucky. Denyo has a factory in the state.

We had a very productive meeting with Governor Bevin, exchanging views on systems for revitalizing business in Kentucky. Denyo will continue to work together as a group to develop its business and contribute to the further growth of Kentucky.

CONTENTS

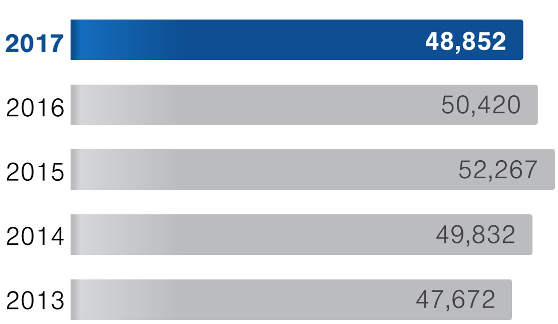
Consolidated Financial Highlights

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Net Sales	¥ 48,852	¥ 50,420	¥ 52,267	$ 435,398
Total Assets	68,678	66,994	67,324	612,106
Total Net Assets	53,146	50,812	49,195	473,670
Operating Income	4,247	4,097	5,349	37,854
Net Income*	2,867	3,137	3,858	25,557
	Yen			U.S. Dollars
Total Net Assets	¥ 2,407.30	¥2,285.62	¥ 2,215.29	$ 21.46
Net Income*	134.18	146.79	179.38	1.20
Cash Dividends	30.00	30.00	28.00	0.27

Note:Transaction into U.S. dollars has been made, solely for the reader's convenience, at the rate of ¥112.20 to U.S.$1, prevailing on the Tokyo Foreign Exchange Market on March 31, 2017.

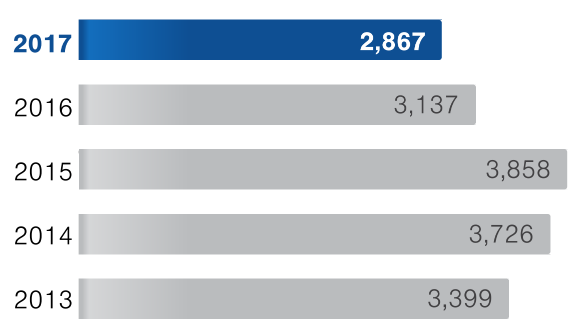
Net Sales

¥ million



Net Income*

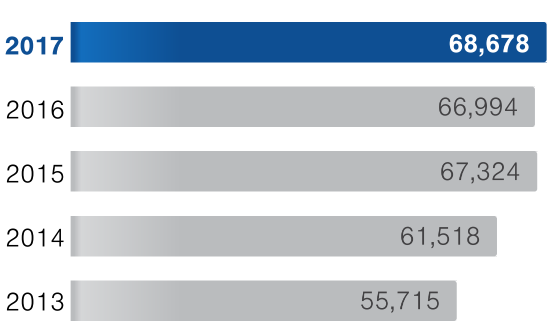
¥ million



* Net Income attributable to owners of the parent.

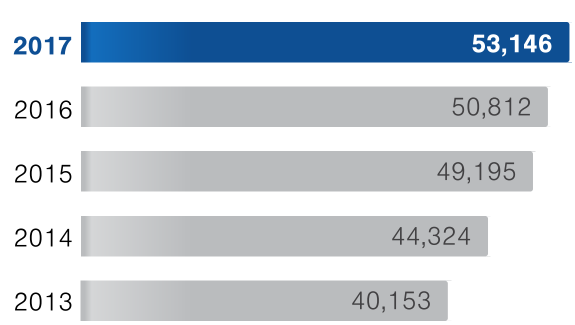
Total Assets

¥ million



Total Net Assets

¥ million



TO OUR SHAREHOLDERS

Shoichi Shiratori,
President

In fiscal **2017,** (ended March 31, 2017), the Japanese economy recovered moderately due largely to improvements in corporate earnings and the employment and income situation as a result of the government's economic policy and other measures. Meanwhile, the economy in the U.S. continued to expand gradually, but emerging and resource-rich economies slowed down.

Regarding the business environment surrounding the Denyo Group, in Japan, there was strong demand in construction for redevelopments mainly in the Tokyo Metropolitan area and infrastructure developments for the 2020 Tokyo Olympics, among others. In the meantime, overseas, demand remained firm in the U.S., but harsh conditions persisted mainly in resource-rich nations, affected by weak resource prices.

Under these circumstances, the Denyo Group actively conducted sales activities by enhancing cooperation further within the Group. However, consolidated net sales came to ¥48,852 million (US$435,398 thousand), down 3.1% year on year. Profitability reflected an increase in the shipments of products with comparatively high profit margins, and consolidated operating income was ¥4,247 million (US$37,854 thousand), a 3.7% increase year on year, consolidated ordinary income was ¥4,526 million (US$40,339 thousand), up 0.7% year on year, and profit attributable to owners of the parent fell 8.6% year on year to ¥2,867 million (US$25,557 thousand) due to a decrease in gain on sales of non-current assets in extraordinary income.

The year-end dividend was an ordinary dividend of ¥15 (US$0.13) per share, which together with the interim dividend of ¥15 (US$0.13) per share,made the total payout for the year ¥30 (US$0.27) per share. (the same as the previous year)

Regarding the future business outlook, there is expected to be strong domestic demand in construction for redevelopments mainly in the Tokyo Metropolitan area and developments for the 2020 Tokyo Olympics. Meanwhile, the prospects for our overseas business will remain uncertain, given various factors such as trends in the new U.S. administration's policy, issues regarding Brexit, and the effects of an economic downturn in resource-rich countries.

Under these conditions, the Denyo Group will concentrate on providing products and services that meet the needs of customers in domestic and overseas markets. It will also work to expand sales channels by focusing on aggressive proposal-based business.

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

June 2017

S. Shiratori

Shoichi Shiratori, President

Review of Operations

Expansion of Simul Generator series for simultaneous three-phase and single-phase output

Denyo developed two models, DCA-25LSKE-D and DCA-100LSIE-D, to respond to numerous customer requests, and commenced sales of the models in April 2016, in addition to other models of the engine generator series Simul Generator.

With previous 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 install both a three-phase generator and a single-phase generator in order to use them simultaneously. However, the new Simul Generator models enable users to output three-phase and single-phase power simultaneously with a single unit.

A power-generating unit, which produces electricity, uses Denyo's unique "three-phase/single-phase independent winding system," enabling a sufficient power supply with the single-phase three-wire system. The Simul Generator series is equipped with an Eco-base as standard to prepare for contingencies such as fuel leaks, and the units are therefore safe to use even in places that must meet strict installation criteria, such as rivers and ports.

Denyo will continue to develop products that meet the needs of more customers.

DCA-25LSKE-D

KCA-8SPS kerosene-fueled engine generator

Denyo developed the KCA-8SPS, an engine generator fueled by kerosene, and launched it in January 2017.

The KCA-8SPS is fueled by kerosene, which has a lower freezing temperature than light oil or gasoline, and is therefore safer to use in cold climates and in winter. In addition, this new product uses a relatively inexpensive fuel, kerosene, thus reducing the running cost by about 30% as compared to generators of the same class fueled by light oil under the same conditions (according to our estimate).

Moreover, since Denyo's unique technology enables the KCA-8SPS to provide a stable power supply, it can be used for precision equipment such as PCs and POS systems. Further, KCA-8SPS is also used as a backup power source during power outages because it comes standard with a battery charger, ensuring that it can be started even during power outages.

Denyo will continue to actively develop products that serve customer needs such as economic efficiency and safe and secure living.

KCA-8SPS

LP Gas general-use Generating Set LLG-35US

In January 2017, Denyo launched the LLG-35US, a certified general-use generating set, fueled by LP gas.

Since 2011, Denyo has sold the LEG Power series of stand-by generators fueled by LP gas. This gas is a type of energy that is quick to restore and is resistant to disasters, even when lifelines are cut off in the event of a large-scale disaster. The LEG Power series is highly regarded by many customers.

The LLG-35US that has now been launched can be used for a business continuity plan (BCP), enabling a company to continue production activity and service by generating minimal power by itself even in the event of a blackout. In addition, because it is a certified general-use generating set, the LLG-35US can also be used for various purposes such as dispersed power sources within buildings and blocks, as well as peak cutbacks even in cases other than a blackout.

LLG-35US

New engine compressors

Denyo commenced sales of two new engine compressor models, the DIS-140LB (standard box type) and the DIS-140LB-C (after-cooler type), in February 2017. They are equipped with highly-efficient air-ends (parts that compress air), improving the air delivery from the 3.7 m^3/min (130 cfm) of the previous model to 3.9 m^3/min (140 cfm) and reducing fuel consumption by 10% compared to the previous model, and cutting the noise level as well.

Moreover, the addition of a service cock for air discharge to the previous two cocks enables several tasks to be performed simultaneously; for example, one service cock is used for an air tool while the other two are used for double air hose reels. The additional cock therefore enhances work efficiency.

Furthermore, these new models enable one-side maintenance, where operators can inspect the inside by opening only one door. With their improved maintainability, these compressors have been popular among customers.

Denyo will continue to develop products that satisfy the needs of more customers.

DIS-140LB

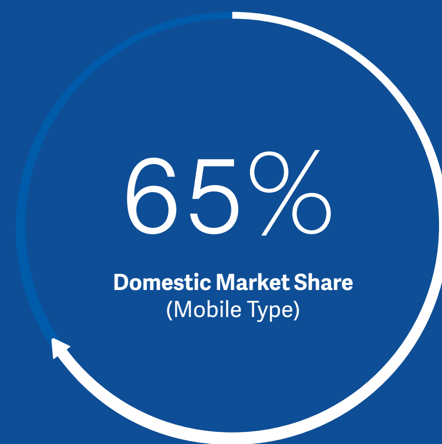
DIS-140LB-C

Overview of Product Segment

Business performance by product category and domestic market share

Engine Generators

In the engine generators segment, shipments of large-sized generators to the domestic and U.S. markets increased, but shipments to resource-rich countries remained sluggish. This resulted in segment sales of ¥36,857 million (US$328,498 thousand), down 3.8% from the previous fiscal year.



Engine Welders

In the engine welders segment, despite a rise in shipments of small-sized welders to European markets, shipments to the domestic market were stagnant due largely to delays in the start of construction works. As a result, segment sales were ¥4,832 million (US$43,072 thousand), falling 5.3% from the previous fiscal year.

Engine Compressors

In the compressors segment, shipments to the domestic market remained firm and those to the U.S. and Asian markets rose, resulting in segment sales of ¥1,440 million (US$12,841 thousand), up 30.4% from the previous fiscal year.

Other Products

In the other products segment, sales were ¥5,720 million (US$50,987 thousand), down 3.4% from the previous fiscal year, due mainly to lower sales of self-propelled lifters.

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

Denyo Co., Ltd. and Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2017,
and Independent Auditor's Report

Financial Review

Business Environment and Results

In fiscal 2017 (ended March 31, 2017), the Japanese economy recovered moderately due largely to an improvement in corporate earnings and the employment and income situation through the government's economy policy and other measures. Meanwhile, the economy in the U.S. continued to expand gradually, but emerging and resource-rich economies slowed down.

Regarding the business environment surrounding the Denyo Group, in Japan, there was strong demand in construction for redevelopments mainly in the Tokyo Metropolitan area and infrastructure developments for the 2020 Tokyo Olympics, among others. Overseas, in the meantime, demand remained firm in the U.S., but harsh conditions persisted mainly in resource-rich nations, affected by weak resource prices.

Under these circumstances, the Denyo Group conducted active sales activities by enhancing cooperation further within the Group. However, consolidated net sales came to ¥48,852 million (US$435,398 thousand), down 3.1% from the previous fiscal year. Profitability reflected an increase in the shipments of products with comparatively high profit margins, and consolidated operating income was ¥4,247 million (US$37,854 thousand), a 3.7% increase from the previous fiscal year, consolidated ordinary income was ¥4,526 million (US$40,339 thousand), up 0.7% from the previous fiscal year, and profit attributable to owners of the parent fell 8.6% from the previous fiscal year, to ¥2,867 million (US$25,557 thousand), due to a decrease in gain on sales of non-current assets in extraordinary income.

Segment Information

In the engine generators segment, shipments of large-sized generators to the domestic and U.S. markets increased, but shipments to resource-rich countries remained sluggish. This resulted in segment sales of ¥36,857 million (US$328,498 thousand), down 3.8% from the previous fiscal year.

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In the other products segment, sales were ¥5,720 million (US$50,987 thousand), down 3.4% from the previous fiscal year, due mainly to lower sales of self-propelled lifters.

Information by geographical area is as follows.

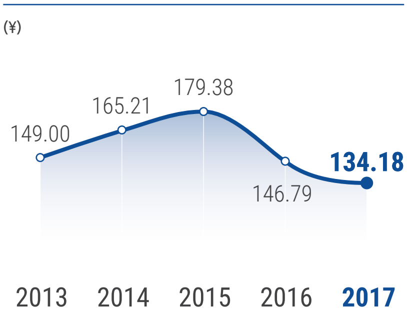
(Japan)
In Japan, shipments of generators to major leasing and rental companies, our key clients, remained robust, but shipments of stand-by generators for emergency equipment decreased in the domestic business. In the overseas business, however, exports to the Middle and Near East markets were sluggish overall due to a decline in crude oil prices. As a result, sales came to ¥36,837 million (US$328,317 thousand), down 3.1% from the previous fiscal year, and operating income came to ¥2,638 million (US$23,511 thousand), down 1.7% from the previous fiscal year.

(U.S.)
In the U.S., shipments of large-sized generators to the rental market, which is our core market, grew, resulting in sales of ¥7,856 million (US$70,012 thousand), up 7.5% from the previous fiscal year, and operating income of ¥1,050 million (US$9,362 thousand), up 35.1% from the previous fiscal year.

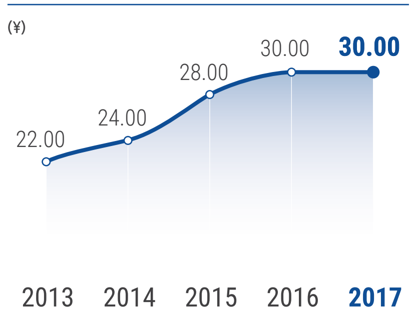
(Asia)
In Asia, shipments of generators for construction for infrastructure development rose in some markets, but overall business was sluggish owing to the effects of lower resource prices and the economic slowdown in China. As a result, sales were ¥3,751 million (US$33,433 thousand), down 18.2% from the previous fiscal year. Operating income was ¥358 million (US$3,190 thousand), up 48.6% from the previous fiscal year, as a result of an improvement in the cost to sales ratio.

(Europe)
In Europe, shipments of generators declined, resulting in sales of ¥408 million (US$3,636 thousand), falling 21.7% from the previous fiscal year, and operating income of ¥8 million (US$72 thousand), down 51.1%.

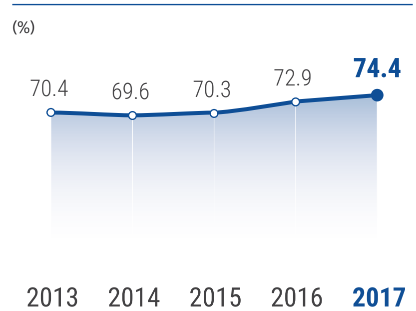
Net Income per Share



Cash Dividends per Share



Equity Ratio



Financial Position

(Assets)

Total assets at the end of the fiscal year under review were ¥68,678 million (US$612,106 thousand), an increase of ¥1,684 million (US$15,008 thousand) from the end of the previous fiscal year.

Current assets at the end of the fiscal year under review were ¥43,815 million (US$390,506 thousand), an increase of ¥1,568 million (US$13,975 thousand) from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥691 million (US$6,166 thousand) and a rise in securities of ¥500 million (US$4,457 thousand), as well as an increase in merchandise and finished goods of ¥414 million (US$3,691 thousand).

Non-current assets at the end of the fiscal year under review were ¥24,863 million (US$221,600 thousand), up ¥116 million (US$1,033 thousand) from the end of the previous fiscal year. This largely reflected a ¥1,211 million (US$10,801 thousand) decrease in property, plant and equipment and intangible assets due to depreciation and amortization and an increase in investments in securities of ¥1,113 million (US$9,920 thousand), reflecting the revaluation of stockholdings.

(Liabilities)

Total liabilities at the end of the fiscal year under review were ¥15,532 million (US$138,436 thousand), decreasing ¥650 million (US$5,789 thousand) from the end of the previous fiscal year.

Current liabilities at the end of the fiscal year under review were ¥11,596 million (US$103,355 thousand), down ¥859 million (US$7,656 thousand) from the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts payable-trade of ¥1,082 million (US$9,648 thousand) and an increase in income taxes payable of ¥237 million (US$2,113 thousand).

Non-current liabilities at the end of the fiscal year under review were ¥3,936 million (US$35,080 thousand), up ¥210 million (US$1,867 thousand) from the end of the previous fiscal year. This was due largely to a rise in deferred tax liabilities of ¥331 million (US$2,950 thousand).

(Net assets)

Net assets at the end of the fiscal year under review were ¥53,146 million (US$473,671 thousand), an increase of ¥2,333 million (US$20,797 thousand) from the end of the previous fiscal year.

This was mainly due to profit attributable to owners of the parent of ¥2,867 million (US$25,557 thousand) and a ¥721 million (US$6,431 thousand) increase in valuation difference on available-for-sale securities, as well as cash dividends paid of ¥689 million (US$6,147 thousand).

Cash Flows

Consolidated cash and cash equivalents (hereinafter "cash") were ¥12,219 million (US$108,907 thousand) at the end of the fiscal year under review, increasing ¥473 million (US$4,223 thousand) from the end of the previous fiscal year, largely due to income before income taxes of ¥4,526 million (US$40,339 thousand).

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 ¥2,948 million (US$26,277 thousand), a decrease of ¥25 million (US$220 thousand) from the previous fiscal year. This mainly reflected income before income taxes of ¥4,526 million (US$40,339 thousand), depreciation of ¥1,212 million (US$10,801 thousand). and income taxes paid of ¥1,232 million (US$10,980 thousand).

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,253 million (US$11,168 thousand), an increase of ¥478 million (US$4,258 thousand) from the previous fiscal year. This largely reflected ¥537 million (US$4,788 thousand) in payments for the purchase of property, plant and equipment, as well as ¥675 million (US$6,012 thousand) in payments into time deposits.

(Cash flows from financing activities)

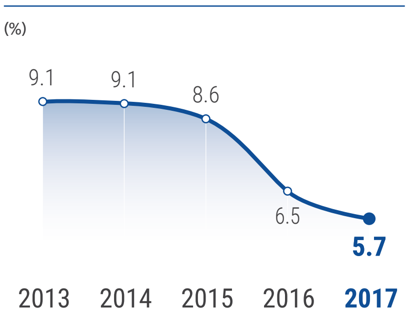
Net cash used in financing activities was ¥1,081 million (US$9,626 thousand), a decrease of ¥101 million (US$902 thousand) from the previous fiscal year. This mainly reflected the purchase of treasury shares of ¥265 million (US$2,365 thousand) and dividends paid of ¥690 million (US$6,147 thousand).

Dividends

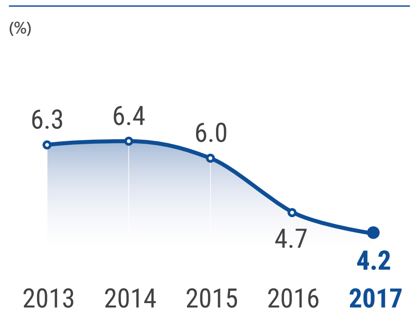
Denyo recognizes the importance of returning profits to shareholders while also investing in equipment and research & development to enhance and maintain product competitiveness and striving to improve profitability and strengthen its financial structure. Our policy is to distribute profits based on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

Based on this policy, for fiscal 2017, the annual dividend amounted to ¥30 (US$0.27) per share (the same as the previous year): ¥15 (US$0.13) per share each as an interim dividend and a year-end dividend. As a result, the consolidated dividend payout ratio was 22.4%.

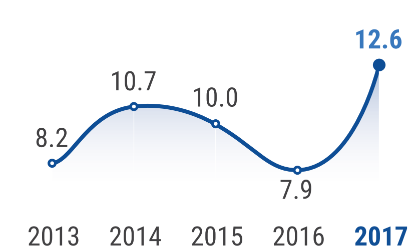
Return on Average Shareholders' Equity



Return on Average Assets (ROA)



Price Earnings Ratio



DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2017

Consolidated Balance Sheet

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 12,219	¥ 11,746	$ 108,907
Time deposits other than cash equivalents (Note 14)	718		6,401
Receivables (Note 14):			
Trade notes	6,278	5,737	55,950
Trade accounts	10,688	10,840	95,255
Associated companies (Note 20)	2,455	2,738	21,882
Other	17	143	149
Allowance for doubtful receivables	(7)	(26)	(60)
Inventories (Note 5)	10,705	10,338	95,412
Deferred tax assets (Note 11)	541	517	4,825
Prepaid expenses and other current assets	201	214	1,785
Total current assets	43,815	42,247	390,506
PROPERTY, PLANT AND EQUIPMENT			
Land	4,848	4,855	43,210
Buildings and structures	12,247	12,359	109,153
Machinery and equipment (Note 13)	6,750	6,703	60,156
Furniture and fixtures	1,744	1,706	15,548
Construction in progress	141	26	1,253
Total	25,730	25,649	229,320
Accumulated depreciation	(11,230)	(10,231)	(100,093)
Net property, plant and equipment	14,500	15,418	129,227
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	8,752	7,716	78,001
Investments in associated companies (Note 6)	774	697	6,900
Deferred tax assets (Note 11)	61	59	545
Other assets	776	857	6,927
Total investments and other assets	10,363	9,329	92,373
TOTAL	¥ 68,678	¥ 66,994	$ 612,106

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 14)	¥ 210	¥ 233	¥ 1,872
Current portion of long-term debt (Notes 7, 13 and 14)	3	4	30
Payables (Note 14):			
Trade notes	2,231	2,095	19,887
Trade accounts	6,691	7,907	59,631
Associated companies	16	18	141
Other	42	122	374
Accrued income taxes (Note 11)	630	393	5,618
Accrued expenses	1,260	1,319	11,229
Provision for product warranties	108	122	965
Other current liabilities	405	242	3,608
Total current liabilities	11,596	12,455	103,355
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 13 and 14)	1,127	1,135	10,045
Liability for retirement benefits (Note 9)	419	441	3,734
Deferred tax liabilities (Note 11)	1,908	1,577	17,002
Other long-term liabilities	482	574	4,299
Total long-term liabilities	3,936	3,727	35,080
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 2017 and 22,859,660 shares in 2016	1,955	1,955	17,423
Capital surplus	1,779	1,779	15,860
Retained earnings	44,522	42,344	396,807
Treasury stock—at cost, 1,623,221 shares in 2017 and 1,484,961 shares in 2016 (Note 3)	(1,632)	(1,381)	(14,549)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,736	3,014	33,295
Foreign currency translation adjustments	765	1,142	6,817
Defined retirement benefit plans	(2)	1	(16)
Total	51,123	48,854	455,637
Noncontrolling interests	2,023	1,958	18,034
Total equity	53,146	50,812	473,671
TOTAL	¥ 68,678	¥ 66,994	$ 612,106

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2017

Consolidated Statement of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET SALES (Note 19 and 20)	¥ 48,852	¥ 50,420	¥ 435,398
COST OF SALES	36,874	38,263	328,643
Gross profit	11,978	12,157	106,755
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	7,731	8,060	68,901
Operating income	4,247	4,097	37,854
OTHER INCOME (EXPENSES):			
Interest and dividend income	183	175	1,632
Interest expense	(65)	(43)	(581)
Gain on sale of property, plant and equipment	3	312	25
Loss on sale or disposal of property, plant and equipment	(3)	(2)	(27)
Foreign exchange loss	(14)	(10)	(123)
Equity in earnings of associated companies	92	92	816
Rent income	87	83	777
Commitment fee	(35)	(7)	(308)
Other—net	31	108	274
Other income—net	279	708	2,485
INCOME BEFORE INCOME TAXES	4,526	4,805	40,339
INCOME TAXES (Note 11):			
Current	1,472	1,383	13,118
Deferred	(8)	21	(72)
Total income taxes	1,464	1,404	13,046
NET INCOME	3,062	3,401	27,293
NET INCOME ATTRIBUTABLE TO:			
Owners of the parent	2,867	3,137	25,557
Noncontrolling interests	195	264	1,736
NET INCOME (Forward)	¥ 3,062	¥ 3,401	$ 27,293
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	719	(1,017)	6,411
Deferred loss on derivatives under hedge accounting		(1)	
Foreign currency translation adjustments	(421)	(27)	(3,759)
Defined retirement benefit plans	(2)	10	(21)
Share of other comprehensive income (loss) in associates	2	(3)	20
Total other comprehensive income (loss)	298	(1,038)	2,651
COMPREHENSIVE INCOME	¥ 3,360	¥ 2,363	$ 29,944
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 3,209	¥ 2,182	$ 28,600
Noncontrolling interests	151	181	1,344
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.s and 18):			
Basic net income	¥ 134.18	¥ 146.79	$ 1.20
Cash dividends applicable to the year	30.00	30.00	0.27

See notes to consolidated financial statements.

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, 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
Net income attributable to owners of the parent				2,867						2,867		2,867
Cash dividends, ¥30 per share				(689)						(689)		(689)
Purchase of treasury stock	(150)				(265)					(265)		(265)
Selling of treasury stock	11				14					14		14
Net change in the year						722		(377)	(3)	342	65	407
BALANCE, MARCH 31, 2017	21,236	¥ 1,955	¥ 1,779	¥ 44,522	¥ (1,632)	¥ 3,736		¥ 765	¥(2)	¥ 51,123	¥ 2,023	¥ 53,146

	Thousands of U.S. Dollars (Note 1)											
	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, MARCH 31, 2016		$ 17,423	$ 15,860	$ 377,397	$ (12,310)	$ 26,864		$ 10,184	$ 5	$ 435,423	$ 17,451	$ 452,874
Net income attributable to owners of the parent				25,557						25,557		25,557
Cash dividends, $0.27 per share				(6,147)						(6,147)		(6,147)
Purchase of treasury stock					(2,365)					(2,365)		(2,365)
Selling of treasury stock					126					126		126
Net change in the year						6,431		(3,367)	(21)	3,043	583	3,626
BALANCE, MARCH 31, 2017		$ 17,423	$ 15,860	$ 396,807	$ (14,549)	$ 33,295		$ 6,817	$ (16)	$ 455,637	$ 18,034	$ 473,671

See notes to consolidated financial statements.

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2017

Consolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥ 4,526	¥ 4,805	$ 40,339
Adjustments for:			
Income taxes paid	(1 ,232)	(1,530)	(10,980)
Depreciation and amortization	1,212	1,284	10,801
Loss (gain) on sale or disposal of property, plant and equipment—net		(311)	2
Equity in earnings of associated companies	(92)	(92)	(816)
Changes in assets and liabilities, net of effects:			
Increase in trade notes and accounts receivable	(197)	(214)	(1,758)
Increase in inventories	(518)	(398)	(4,620)
Decrease in interest and dividend receivable	12	11	105
Decrease in trade notes and accounts payable	(922)	(54)	(8,218)
Increase in interest payable		1	1
Decrease in provision for allowance for doubtful accounts	(22)	(15)	(192)
Decrease in liability for retirement benefits	(26)	(24)	(235)
Other—net	207	(490)	1,848
Total adjustments	(1,578)	(1,832)	(14,062)
Net cash provided by operating activities	2,948	2,973	26,277
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	8	369	71
Purchases of property, plant and equipment	(537)	(1,046)	(4,788)
Purchases of securities	(2)	(2)	(22)
Investment in loans receivable	(5)	(11)	(43)
Collections of loans receivable	7	12	65
Increase in time deposit	(675)	(242)	(6,012)
Decrease in time deposit		242	
Other—net	(49)	(97)	(439)
Net cash used in investing activities	(1,253)	(775)	(11,168)
FINANCING ACTIVITIES:			
Decrease in short-term loans—net	(23)		(205)
Repayment of long-term debt		(400)	
Proceeds from sales of treasury stock		3	
Purchases of treasury stock	(265)		(2,365)
Dividends paid	(690)	(667)	(6,147)
Other—net	(103)	(117)	(909)
Net cash used in financing activities	(1,081)	(1,181)	(9,626)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(141)	(47)	(1,260)
NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 473	¥ 970	$ 4,223
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,746	10,776	104,684
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 12,219	¥ 11,746	$ 108,907

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 ¥112.20 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017, 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—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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. 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 are exposed to insignificant risk of fluctuations in value.

d. 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.

e. 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.

f. 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.

g. 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 acquired on or after April 1, 1998, building improvements and structures of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 2016, 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 12 years for machinery and equipment.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted ASBJ PITF No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The influence of the change on profit or loss is insignificant.

h. 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.

i. 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.

j. 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.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis.

The unrecognized actuarial gains and losses are amortized on a straight-line basis over a period of 5 years, no longer than the expected average remaining service period of the employees, from the year incurred. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects.

k. Employee Stockownership Plan—In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," 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 is recorded in capital surplus. At year end, the Company records (1) the Company 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 employees shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

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

m. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

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.

n. 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.

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

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

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

q. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

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

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

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

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

s. Per Share Information—Basic net income per share is computed by dividing net income 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.

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

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
	2017	2016	2017
Treasury stock	¥ 538	¥ 552	$ 4,793
(Number of shares (thousands of shares))	(814)	(826)	

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Non-current:			
Marketable equity securities	¥ 7,610	¥ 6,563	$ 67,828
Marketable trust fund investments and other	118	130	1,052
Nonmarketable equity securities	1,024	1,023	9,121
Total	¥ 8,752	¥ 7,716	$ 78,001

The cost and aggregate fair values of marketable and investment securities at March 31, 2017 and 2016, were as follows:

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 2,242	¥ 5,368		¥ 7,610
Trust fund investments and other	149		¥ 31	118
March 31, 2016				
Securities classified as available-for-sale:				
Equity securities	¥ 2,240	¥ 4,378	¥ 55	¥ 6,563
Trust fund investments and other	150		20	130

	Thousands of U.S. Dollars			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$ 19,987	$ 47,846	$ 4	$ 67,829
Trust fund investments and other	1,325		273	1,052

5. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Finished products and merchandise	¥ 6,111	¥ 5,696	$ 54,464
Work in process	1,101	1,103	9,816
Raw materials and supplies	3,493	3,539	31,132
Total	¥ 10,705	¥ 10,338	$ 95,412

6. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investments—New Japan Machinery Corporation	¥ 774	¥ 697	$ 6,900
Total	¥ 774	¥ 697	$ 6,900

7. SHORT-TERM BANK LOANS AND LONG TERM DEBT

Short-term bank loans at March 31, 2017 and 2016, consisted of bank overdrafts. The weighted-average interest rates applicable to the short-term bank loans were 0.6% and 0.8% at March 31, 2017 and 2016, respectively.

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unsecured loans from banks, with interest rate at 3.4% (2017 and 2016)	¥ 1,122	¥ 1,127	$ 10,000
Obligations under finance leases	8	12	75
Total	1,130	1,139	10,075
Less current portion	(3)	(4)	(30)
Long-term debt, less current portion	¥ 1,127	¥ 1,135	$ 10,045

Annual maturities of long-term debt at March 31, 2017, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 3	$ 30
2019	3	26
2020	1	13
2021	1	6
2022 and thereafter	1,122	10,000
Total	¥ 1,130	$ 10,075

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 ($26,738 thousand) as of March 31, 2017. The Company had no borrowings outstanding under the agreement as of March 31, 2017.

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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 2,765	¥ 2,734	$ 24,649
Current service cost	165	166	1,467
Interest cost	23	21	205
Actuarial losses	15	8	138
Benefits paid	(198)	(151)	(1,769)
Others	(4)	(13)	(40)
Balance at end of year	¥ 2,766	¥ 2,765	$ 24,650

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 2,427	¥ 2,355	$ 21,635
Expected return on plan assets	31	31	276
Actuarial gains	1	13	10
Contributions from the employer	182	177	1,618
Benefits paid	(180)	(147)	(1,604)
Others	2	(2)	12
Balance at end of year	¥ 2,463	¥ 2,427	$ 21,947

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

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 2,665	¥ 2,649	$ 23,753
Plan assets	2,463	2,427	21,947
Total	202	222	1, 806
Unfunded defined benefit obligation	101	116	897
Liability for stock granting retirement	116	103	1,031
Net liability arising from defined benefit obligation	¥ 419	¥ 441	$ 3,734

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 419	¥ 441	$ 3,734
Net liability arising from defined benefit obligation	¥ 419	¥ 441	$ 3,734

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥ 165	¥ 165	$ 1,467
Interest cost	23	21	205
Expected return on plan assets	(31)	(31)	(277)
Recognized actuarial (gains) losses	(1)	2	(6)
Stock granting cost	32	39	288
Net periodic benefit costs	¥ 188	¥ 196	$ 1,677

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Actuarial (gains) losses	¥ (3)	¥ 4	$ (30)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial (gains) losses	¥ (2)	¥ 1	$ (23)

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
General account managed by a life insurance company	99.3%	98.8%
Others	0.7	1.2
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, 2017 and 2016, are set forth as follows:

	2017	2016
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 30.9% and 33.1% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Accrued bonuses	¥ 186	¥ 183	$ 1,656
Provision for product warranties	34	41	303
Accrued enterprises taxes	46	37	407
Unrealized gain on sale of inventory	119	99	1,063
Unrealized gain on sale of property	22	21	195
Liability for retirement benefits	125	135	1,117
Loss on revaluation of investment securities	24	24	213
Tax loss carryforwards	79	98	702
Other	234	276	2,095
Less valuation allowance	(137)	(156)	(1,221)
Total	732	758	6,530
Deferred tax liabilities:			
Reserve for deferred gains on sales of property	346	346	3,088
Unrealized gain on available-for-sale securities	1,614	1,298	14,381
Other	78	114	693

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Total	2,038	1,758	18,162
Net deferred tax liabilities	¥ (1,306)	¥ (1,000)	$ (11,632)

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, is as follows:

	2016
Normal effective statutory tax rate	33.1%
Expenses not deductible for income tax purposes	1.2
Income not recognizable for income tax purposes	(1.7)
Per capita portion of inhabitants' taxes	0.6
Tax credits	(2.9)
Lower income tax rates applicable to income in certain foreign countries	(0.1)
Valuation allowance	0.2
Other—net	(1.2)
Actual effective tax rate	29.2%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income and comprehensive income for the year ended March 31, 2017, is less than 5% of the normal effective statutory tax rate, a reconciliation is omitted.

At March 31, 2017, some subsidiaries have tax loss carryforwards aggregating approximately ¥382 million ($3,401 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	¥ 58	$ 518
2019	28	246
2020	55	488
2021 and thereafter	241	2,149
Total	¥ 382	$ 3,401

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥453 million ($4,035 thousand) and ¥467 million for the years ended March 31, 2017 and 2016, respectively.

13. LEASES

The Group leases certain vehicles.

Lease payments under finance leases for the years ended March 31, 2017 and 2016, were ¥3 million ($30 thousand) and ¥3 million, respectively.

Obligations under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥ 3	¥ 4	$ 30
Due after one year	5	8	45
Total	¥ 8	¥12	$ 75

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 not used 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 five 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 detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

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

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

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

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and commodity swaps are used to manage exposure to market risks from changes in raw material (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 an adequate volume 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

March 31, 2017	Millions of Yen			Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 12,219	¥ 12,219		$ 108,907	$ 108,907	
Time deposits other than cash equivalents	718	718		6,401	6,401	
Receivables	19,431	19,431		173,176	173,176	
Investment securities	7,728	7,728		68,880	68,880	
Total	¥ 40,096	¥ 40,096		$ 357,364	$ 357,364	
Short-term bank loans	210	210		1,872	1,872	
Payables	8,980	8,980		80,033	80,033	
Long-term debt	1,130	1,145	¥ (15)	10,075	10,207	$ (132)
Total	¥ 10,320	¥ 10,335	¥ (15)	$ 91,980	$ 92,112	$ (132)
Derivatives	¥ (352)	¥ (352)		$ (3,135)	$ (3,135)	

March 31, 2016	Millions of Yen		
	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)	

Cash and Cash Equivalents and Time deposits other than cash equivalents
The carrying values of cash and cash equivalents and time deposits other than 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
	2017	2016	2017
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,024	¥ 1,023	$ 9,121

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

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2017	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	¥ 12,219		$ 108,907	
Time deposits other than cash equivalents	718		6,401	
Receivables	19,431		173,176	
Investment securities		¥ 70		$ 625
Total	¥ 32,368	¥ 70	$ 288,484	$ 625

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

15. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2017	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts — Selling U.S.$	¥ 1,016	¥ 1,016	¥ 1	¥ 1	¥ 9,055	¥ 9,055	¥ 8	¥ 8
Currency swap contracts— Selling U.S.$	992	992	(353)	(353)	8,838	8,838	(3,143)	(3,143)
March 31, 2016								
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)				

Derivative Transactions to Which Hedge Accounting Is Applied

		Thousands of U.S. Dollars		
March 31, 2017	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, 2016				
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, 2017, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Export trade bill discounted	¥ 139	$ 1,235

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss), including reclassification adjustments and tax effects for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 1,034	¥ (1,605)	$ 9,222
Amount before income tax effect	1,034	(1,605)	9,222
Income tax effect	(315)	588	(2,811)
Total	¥ 719	¥ (1,017)	$ 6,411
Deferred (loss) gain on derivatives under hedge accounting:			
Losses arising during the year		¥ (3)	
Reclassification adjustments to profit or loss		2	
Amount before income tax effect		(1)	
Income tax effect			
Total		¥ (1)	
Foreign currency translation adjustments			
Adjustments arising during the year	¥ (421)	¥(27)	$ (3,759)
Total	¥ (421)	¥(27)	$ (3,759)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (3)	¥ 14	$ (30)
Amount before income tax effect	(3)	14	(30)
Income tax effect	1	(4)	9
Total	¥ (2)	¥ 10	$ (21)
Share of other comprehensive income (loss) in associates—			
Gains (loses) arising during the year	¥ 2	¥ (3)	$ 20
Total	¥ 2	¥ (3)	$ 20
Total other comprehensive income (loss)	¥ 298	¥ (1,038)	$ 2,651

18. NET INCOME PER SHARE

Basis for the computation of net income per share ("EPS") for the years ended March 31, 2017 and 2016, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2017	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 2,867	21,370	¥ 134.18	$ 1.20
Year Ended March 31, 2016				
Basic EPS—Net income available to common shareholders	¥ 3,137	21,373	¥ 146.79	

As noted in Note 2.k, the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." In calculating the number of weighted average shares above, the number of shares that are held by the Trust (820 thousand shares in 2017 and 810 thousand shares in 2016) 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						
	2017						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 36,837	¥ 7,856	¥ 3,751	¥ 408	¥ 48,852		¥ 48,852
Intersegment sales or transfers	4,345	265	3,196	5	7,811	¥ (7,811)	
Total	¥ 41,182	¥ 8,121	¥ 6,947	¥ 413	¥ 56,663	¥ (7,811)	¥ 48,852
Segment profit	¥ 2,638	¥ 1,050	¥ 358	¥8	¥ 4,054	¥193	¥4247
Segment assets	57,882	6,083	11,155	638	75,758	(7,080)	68,678
Other:							
Depreciation and amortization	540	123	549		1,212		1,212
Investments in associated companies	774				774		774
Increase in property, plant and equipment and intangible assets	205	254	53		512		512

	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

	Thousands of U.S. Dollars						
	2017						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$ 328,317	$ 70,012	$ 33,433	$ 3,636	$ 435,398		$ 435,398
Intersegment sales or transfers	38,727	2,359	28,486	44	69,616	$ (69,616)	
Total	$ 367,044	$ 72,371	$ 61,919	$ 3,680	$ 505,014	$ (69,616)	$ 435,398
Segment profit	$ 23,511	$ 9,362	$ 3,190	$ 72	$ 36,135	$ 1,719	$ 37,854
Segment assets	515,886	54,212	99,422	5,690	675,210	(63,104)	612,106
Other:							
Depreciation and amortization	4,813	1,099	4,887	2	10,801		10,801
Investments in associated companies	6,900				6,900		6,900
Increase in property, plant and equipment and intangible assets	1,825	2,260	475	2	4,562		4,562

Related Information

(1) Information about Products and Services

Information about products and services for the years ended March 31, 2017 and 2016, 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, 2017 and 2016, are summarized as follows:

	Millions of Yen				
	2017				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥ 29,252	¥ 10,311	¥ 6,480	¥ 2,809	¥ 48,852
Property, plant and equipment	9,119	961	4,419	1	14,500

	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

	Thousands of U.S. Dollars				
	2017				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	$ 260,716	$ 91,896	$ 57,753	$ 25,033	$ 435,398
Property, plant and equipment	81,276	8,559	39,385	7	129,227

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

(3) Information about Major Customers

Sales to major customers for the years ended March 31, 2017 and 2016, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Name of Customers	2017	2016	2017	Related Segment
Multiquip Inc.	¥ 7,856	¥ 7,308	$ 70,012	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 with usual terms and conditions.

The transactions with the associates for the years ended March 31, 2017 and 2016, and related balances at March 31, 2017 and 2016, were mainly as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Transactions—Sales	¥ 2,948	¥ 3,427	$ 26,278
Balances:			
Trade notes receivable	¥ 1,723	¥ 1,918	$ 15,355
Trade accounts receivable	717	803	6,391

21. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2017, was approved at the Company's Board of Directors' meeting held on May 19, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15 ($0.13) per share	¥ 331	$ 2,954

Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheet of Denyo Co., Ltd. and its subsidiaries as of March 31, 2017, 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, 2017, 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 30, 2017

Deloitte Touche Tohmatsu LLC

Deloitte Touche Tohmatsu LLC

Company Data

Company outline (As of March 31, 2017)

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.$17,422,759)
Authorized shares	97,811,000
Issued Shares	22,859,660
Shareholders	4,371
Financial Year	April 1 to March 31
Employees	546 (1,215 consolidated)
Branch and Sales offices	21

Directors, Audit Supervisory Board Members (As of June 29, 2017)

Chairman	**Shigeru Koga**	
President	**Shoichi Shiratori**	
Representative Director Executive Vice President	**Yoji Eto**	Responsible for sales Division, Administration Division, Quality Management Division
Director & Executive Advisor	**Hideaki Kuboyama**	
Director Managing Executive Officer	**Teruo Yashiro**	Responsible for Production Division, Development Division, Overseas Manufacturing Subsidiary
Director Managing Executive Officer	**Yasuo Mizuno**	Chief Executive, Sales Division Responsible for Overseas Sales Subsidiary
Director	**Haruhito Takada***	
Director	**Reiko Asahina***	
Audit & Supervisory Board Member	**Toru Masui**	
Audit & Supervisory Board Member	**Masaru Sugiyama**	
Audit & Supervisory Board Member	**Akira Yamada***	
Audit & Supervisory Board Member	**Yoshio Takeyama***	

Asterisk* indicates an external director or external audit & supervisory board member.

Executive Officers (As of June 29, 2017)

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**	Head of International Sales Unit General Manager, International Sales Department I Sales Division
Senior Executive Officer	**Fumitoshi Arimitsu**	President of Nishinihon Generator Mfg. Co., Ltd.
Senior Executive Officer	**Sampei Sato**	Chief Executive, Development Division General Manager, Development Department, Patent Administration Department
Executive Officer	**Makoto Tanabe**	General Manager, General Affairs Department, Finance Department Administration Divsion
Executive Officer	**Kenichi Hamanosono**	Executive Officer General Manager, Sales Department of Denyo Kosan Co., Ltd.
Executive Officer	**Kensaku Moriyama**	Head of Domestic Sales Unit General Manager, East Japan Sales Department Sales Division
Executive Officer	**Chiyoki Kimura**	General Manager, West Japan Sales Department Sales Division
Executive Officer	**Michio Nonaka**	Chief Executive, Production Division General Manager, Production Management Department
Executive Officer	**Toshiaki Shimazu**	General Director of Denyo Vietnam Co., Ltd.
Executive Officer	**Toru Hiroi**	Chairman & CEO of Denyo Manufacturing Corporation
Executive Officer	**Takanori Yoshinaga**	General Manager, Engineering Department Development Division

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

Laboratory & Training Center
Fukui Plant

Denyo Group Companies

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

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

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

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

Denyo Asia Pte. Ltd.
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.
Naamrijk 1, 3454 PX 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

(As of March 31, 2017)

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 760,247 shares of Company's own stock)
Stock Listing	Tokyo Stock Exchange, First Section (Code: 6517)
Shareholders	4,371
Transfer Agency	Tokyo Securities Transfer Agent Co., Ltd. 3-11, Kanda Nishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan

Major Shareholders

Shareholders	Shares Held (Thousands)	Voting Right Ratio(%)
Kyuei Corporation	1,600	7.24
Mizuho Bank, Ltd.	1,109	5.01
The Dai-ichi Life Insurance Co., Ltd.	872	3.94
Trust & Custody Services Bank, Ltd. (Trust Account)	814	3.68
Japan Trustee Services Bank,Ltd. (Trust Account)	613	2.77
Denyo Shin-eikai Group	607	2.74
Tsurumi Manufacturing Co., Ltd.	543	2.45
Northern Trust Co. (AVFC) Re Fidelity Funds	543	2.45
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	540	2.44
KUBOTA Corporation	500	2.26

Denyo Co., Ltd.

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