2019

ANNUAL REPORT

Year ended March 31, 2019

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.

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Opening Ceremony for Sheet-Metal Plant of Denyo Manufacturing Corporation

In March 2019, a sheet-metal plant was completed at Denyo Manufacturing Corporation (DMC), a Denyo Group company and a production base in the U.S. state of Kentucky, and the opening ceremony was held.

The new sheet-metal plant was constructed on the premises of DMC to increase its production capacity and streamline its production system, given that demand for generators remained strong in the U.S. on the back of the buoyant economy and that the old sheet-metal plant was located a long way from DMC and was aging. With a site area of 5,574 m², approximately 1.8 times larger than the old plant, the new sheet-metal plant is expected to have an annual working capacity of approximately three times that of the old one because it has introduced the latest facilities.

The Denyo Group will continue to proceed with its efforts to improve productivity with the aim of taking a further leap forward.

Tape cutting at the opening ceremony

Opening ceremony at the new sheet-metal plant

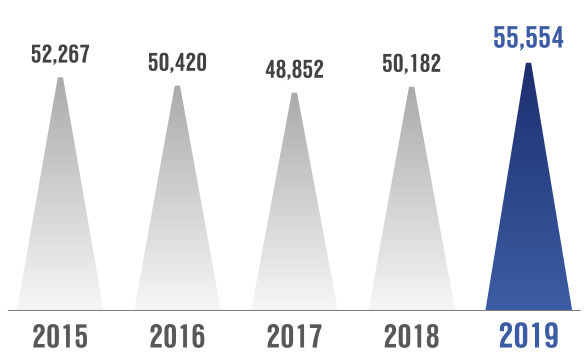
Consolidated Financial Highlights

	Millions of Yen			Thousands of U.S. Dollars
	2019	2018	2017	2019
Net Sales	¥55,554	¥50,182	¥48,852	$500,446
Total Assets	74,086	72,210	68,678	667,378
Total Net Assets	56,291	56,133	53,146	507,078
Operating Income	4,201	3,902	4,247	37,847
Net Income*	3,167	2,762	2,867	28,528
Per Share Data		Yen		U.S. Dollars
Total Net Assets	¥2,583.90	¥2,545.17	¥2,407.30	$23.28
Net Income*	149.83	130.03	134.18	1.35
Cash Dividends	42.00	40.00	30.00	0.38

Note:Transaction into U.S. dollars has been made, solely for the reader's convenience, at the rate of ¥111.01 to U.S.$1, prevailing on the Tokyo Foreign Exchange Market on March 31, 2019.

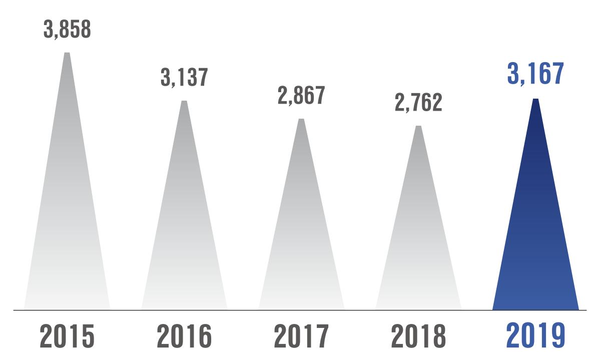
Net Sales

¥ million



Net Income*

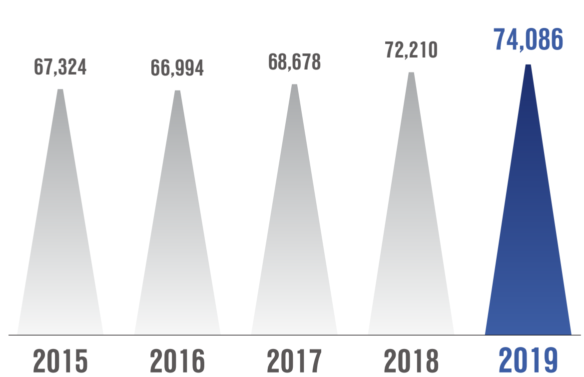
¥ million



* Net Income attributable to owners of the parent.

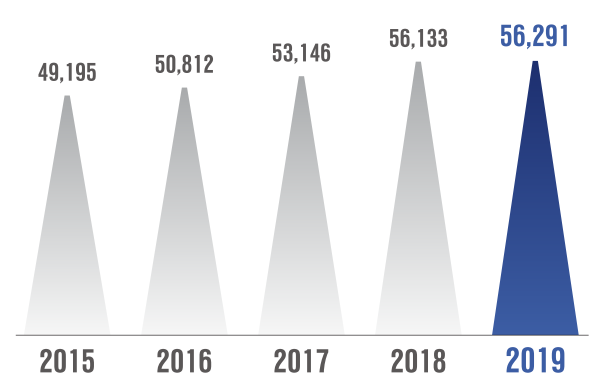
Total Assets

¥ million



Total Net Assets

¥ million



TO OUR SHAREHOLDERS

Denyo Co.,Ltd.

Shoichi Shiratori, President

In fiscal 2019 (ended March 31, 2019), the Japanese economy remained on a moderate recovery trend against a backdrop of solid corporate earnings and continued improvement in the employment and income situation. In the global economy, meanwhile, the future outlook became increasingly uncertain, due mainly to the protectionist trade policy of the U.S. and the slower economic growth in China. However, the U.S. economy continued to expand gradually, and Asian economies also remained firm overall.

In terms of the business environment surrounding the Denyo Group, construction demand was strong in Japan, with construction for redevelopment projects in the Tokyo Metropolitan area, works relating to the 2020 Tokyo Olympics, and disaster relief works. Overseas, while demand remained high in the U.S. market, demand in Asian markets and the Middle and Near East markets stopped short of a complete recovery.

Under these circumstances, the Denyo Group worked to increase sales by launching new products and implementing sales campaigns, and it also implemented cost-cutting activities. As a result, consolidated net sales increased to ¥55,554 million (US$500,446 thousand), up 10.7% year on year. Consolidated operating income rose to ¥4,201 million (US$37,847 thousand), an increase of 7.7% year on year, consolidated ordinary income climbed to ¥4,592 million (US$41,374 thousand), up 9.7% year on year, and net income attributable to owners of the parent increased 14.7% year on year to ¥3,167 million (US$28,528 thousand).

In terms of dividends for the fiscal year under review, we issued an interim dividend of ¥20 (US$0.18) per share and decided to pay an ordinary year-end dividend of ¥22 (US$0.20) per share. As a result, dividends for the full year came to ¥42 (US$0.38) per share (an increase of ¥2 (US$0.02) from the previous fiscal year).

Regarding the future business outlook, demand for construction such as infrastructure redevelopment works, redevelopment projects in the Tokyo Metropolitan area and disaster prevention-related works is expected to remain firm in Japan, and the U.S. market is also expected to remain strong. However, some situations requiring caution, including developments in U.S.-China trade friction and the Brexit issue, are expected to continue.

Under these conditions, the Denyo Group will steadily implement a range of measures in the second year of the medium-term management plan “Denyo 2020” with the aim of enhancing its business performance.

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

June 2019

S. Shiratori

Shoichi Shiratori, President

Review of Operations

New Gasoline Engine TIG Welding Machine GAT-155ES

Denyo has developed a gasoline engine TIG welding machine, the GAT-155ES. The product went on sale in July 2018.

The GAT-155ES utilizes a new TIG unit, the RU3, to consolidate monitors and switches for TIG welding into the TIG unit. This enables users to easily adjust the TIG welding current by hand, even when they are far away from the welding machine.

In terms of the performance of the welding machine, Denyo has allowed it to have more output leeway than conventional machines by increasing the maximum welding current (TIG welding/hand welding) to 155A. Users are also able to switch between constant current and drooping according to the details of their operation with one-touch action while they conduct hand welding operation. They can also use the machine with AC power while they are welding.

In terms of power generation performance, the alternate current output has increased to 3.0kVA to supply stable power as commercial power with inverter control.

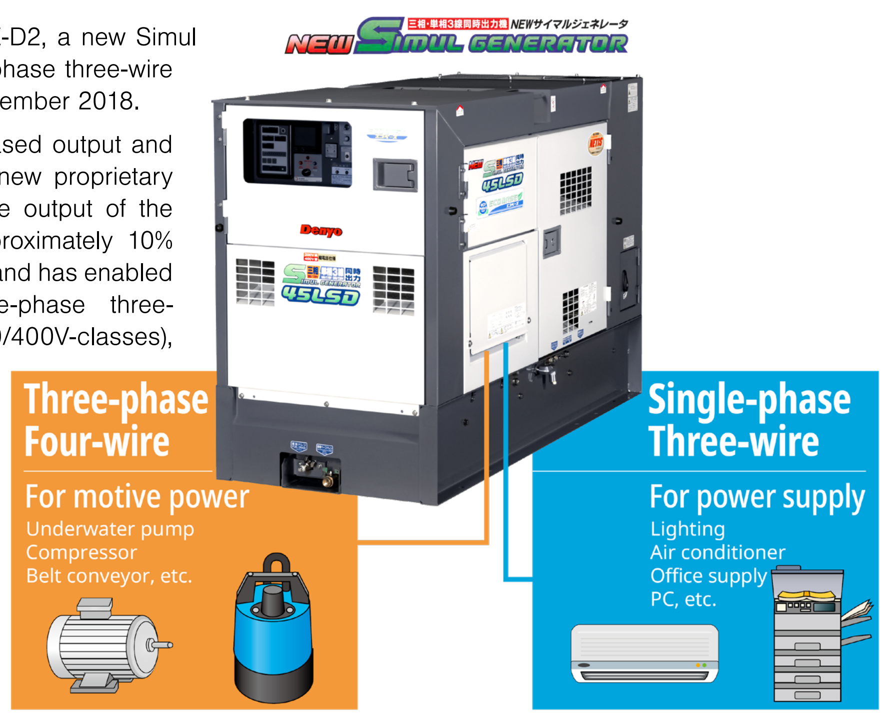
Denyo plans to actively incorporate the GAT-155ES into proposals as a welding machine that can be easily transported to construction sites in field service amid increasing needs for TIG welding in the iron work industry, in addition to plant construction and complex construction.

DCA-45LSKE-D2: a new Simul Generator for simultaneous three-phase and single-phase three-wire output

Denyo has developed the DCA-45LSKE-D2, a new Simul Generator with three-phase and single-phase three-wire output. The product went on sale in September 2018.

The new Simul Generator has increased output and achieved weight savings with Denyo's new proprietary winding system. This has increased the output of the single-phase three-wire system by approximately 10% compared with conventional generators and has enabled simultaneous three-phase and single-phase three-wire output with more leeway. The (200/400V-classes), which were an option for conventional generators, have become a standard feature, meaning that the product can be used for a broad range of applications.

Denyo will focus on the sale of the new Simul Generator, which has achieved both higher power generation performance and weight savings.



Design Award from Singapore Business Review

Denyo United Machinery Pte. Ltd. (DUM), a Group company and a sales base in Singapore, has developed an application for remote monitoring that enables the easy remote supervision of generators. It received the Design Award from Singapore Business Review, a business information magazine in Singapore.

The necessary data to improve the performance of the generator are automatically accumulated in this application, and the data can be easily checked by logging in to the application. Because the application is also equipped with a remote supervision function, it is possible to check the status of the generator on a regular basis by using the application, with no need to travel to the site and check the generator.

The extravagant award ceremony was held with 150 guests at Conrad Centennial Singapore Hotel on November 20, 2018.

Denyo Group will continue to actively advance the development of products tailored to customers' needs.

Engine compressor DIS-80LBE-C with Environmentally friendly base

Denyo is also working to expand the lineup of environmentally friendly based engine compressors. It began selling an aftercooler type compressor, the DIS-80LBE-C, in October 2018 as its third environmentally friendly based compressor.

Users can utilize the product with peace of mind, even in locations with strict installation standards such as river works and port construction works, because it minimizes the outflow of fuel and the engine oil by integrating the environmentally friendly base and the compressor unit and storing the fuel and the engine oil in the environmentally friendly base at the bottom of the main body, even when they are leaked due to unforeseen circumstances.

The high-performance aftercooler also enables the stable supply of air with an external temperature of 15 degree Celsius or less in all seasons by cooling the compressed air. It also prevents the water inside the pipes from freezing in the cold weather by adjusting the temperature of the intake air by switching the partition board of an intake switching duct in winter and in cold regions.

The high-efficiency drain separator makes it possible to eliminate the amount of water generated from the aftercooler by more than 70% and reduce the contamination caused by water splashing from the air tool. The product is therefore recommended to be used for chipping work, blasting and painting work indoors.

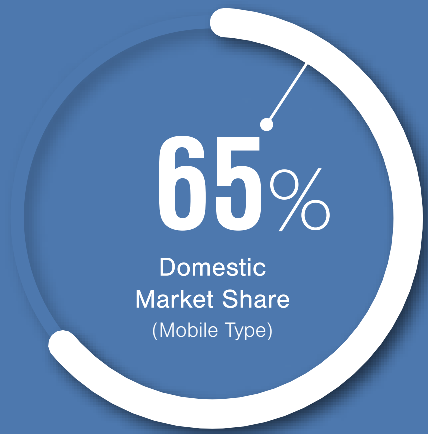
Overview of Product Segment

Business performance by product category and domestic market share

Engine Generators

In the engine generators segment, shipments of mobile-type generators that are used on construction sites increased overall in Japan, and shipments of generators for disaster prevention measures also remained strong.

Overseas, while shipments to Asia and the Middle and Near East remained sluggish, shipments to the U.S. increased significantly. As a result, segment sales rose to ¥43,660 million (US$393,300 thousand), up 13.0% year on year.



Engine Welders

In the engine welders segment, shipments of compact engine welders and TIG welding machines remained strong in Japan on the back of solid construction demand, and shipments to the U.S. also increased. As a result, segment sales rose to ¥5,115 million (US$46,081 thousand), an increase of 4.0% year on year.

Compressors

In the compressors segment, while shipments to the U.S. increased, shipments of motor compressors remained weak in Japan. As a result, segment sales declined to ¥1,059 million (US$9,546 thousand), down 2.2% year on year.

Other Products

In the other products segment, sales were ¥5,719 million (US$51,519 thousand), up 3.5% from the previous fiscal year, thanks mainly to an increase in sales of self-propelled lifters and parts.

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, 2019,
and Independent Auditor's Report

Financial Review

Business Environment and Results

In fiscal 2019 (ended March 31, 2019), the Japanese economy remained on a moderate recovery trend against a backdrop of solid corporate earnings and continued improvement in the employment and income situation. In the global economy, meanwhile, the future outlook became increasingly uncertain, due mainly to the protectionist trade policy of the U.S. and the slower economic growth in China. However, the U.S. economy continued to expand gradually, and Asian economies also remained firm overall.

In terms of the business environment surrounding the Denyo Group, construction demand was strong in Japan, with construction for redevelopment projects in the Tokyo Metropolitan area, works relating to the 2020 Tokyo Olympics, and disaster relief works. Overseas, while demand remained high in the U.S. market, demand in Asian markets and the Middle and Near East markets stopped short of a complete recovery.

Under these circumstances, the Denyo Group worked to increase sales by launching new products and implementing sales campaigns, and it also implemented cost-cutting activities. As a result, consolidated net sales increased to ¥55,554 million (US$500,446 thousand), up 10.7% year on year. Consolidated operating income rose to ¥4,201 million (US$37,847 thousand), an increase of 7.7% year on year, consolidated ordinary income climbed to ¥4,592 million (US$41,374 thousand), up 9.7% year on year, and net income attributable to owners of the parent increased 14.7% year on year to ¥3,167 million (US$28,528 thousand).

Segment Information

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In the other products segment, sales were ¥5,719 million (US$51,519 thousand), up 3.5% from the previous fiscal year, thanks mainly to an increase in sales of self-propelled lifters and parts.

Information by geographical area is as follows.

(Japan)
In Japan, shipments of mobile-type generators primarily to major rental companies remained strong against a backdrop of robust domestic construction demand, and exports of generators and welding machines to the U.S. also increased. As a result, sales rose to ¥40,711 million (US$366,731 thousand), up 7.4% year on year, and segment profit increased to ¥2,445 million (US$22,029 thousand), up 9.4% year on year.

(U.S.)
In the U.S., shipments of generators to our core rental market increased on the back of the strong economy, and sales increased to ¥10,893 million (US$98,128 thousand), up 34.9% year on year, However, segment profit fell to ¥755 million (US$6,805 thousand), down 3.4% year on year, mainly due to rising raw material prices.

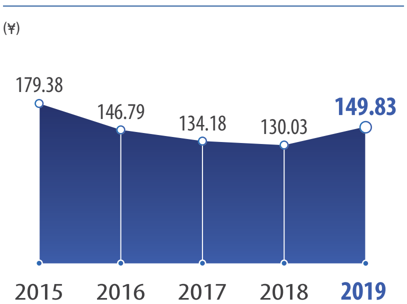
(Asia)
In Asia, demand for generators for infrastructure development-related construction in Hong Kong, which was strong in the previous year, declined, resulting in a fall in sales to ¥3,314 million (US$29,851 thousand), down 14.1% year on year. Meanwhile, segment profit rose to ¥621 million (US$5,591 thousand), up 62.7% year on year, thanks in part to an improved cost-to-sales ratio at the plant in Vietnam that supplies parts to Japan and U.S. plants.

(Europe)
In Europe, shipments of generators increased, driven by the last-minute demand ahead of the new emission control regulations that came into force in January 2019, resulting in a rise in sales to ¥636 million (US$5,736 thousand), up 92.6% year on year, and a rise in segment profit to ¥29 million (US$260 thousand), up 303.7% year on year.

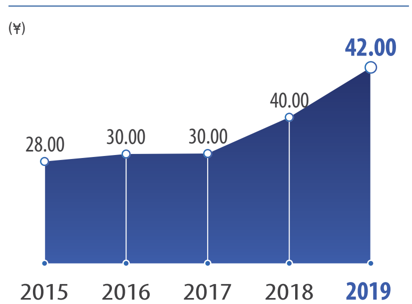
Financial Position

From the beginning of the current consolidated fiscal year, the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 dated February 16, 2018) are applied, and the financial position is compared using the figures at the end of the previous consolidated fiscal year after retroactive processing.

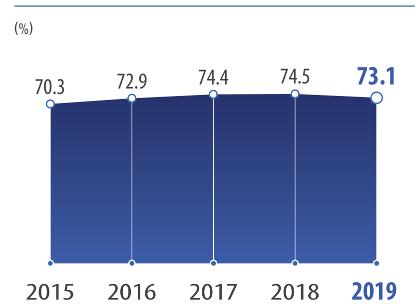
Net Income per Share



Cash Dividends per Share



Equity Ratio



(Assets)

Total assets at the end of the fiscal year under review were ¥74,086 million (US$667,378 thousand), an increase of ¥1,875 million (US$16,894 thousand) from the end of the previous fiscal year.

Current assets at the end of the fiscal year under review were ¥49,849 million (US$449,050 thousand), an increase of ¥3,511 million (US$31,633 thousand) from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥1,318 million (US$11,876 thousand), a rise in notes and accounts receivable - trade of ¥1,274 million (US$11,480 thousand), and an increase in raw materials and supplies of ¥1,840 million (US$16,577 thousand). Non-current assets at the end of the fiscal year under review were ¥24,236 million (US$218,328 thousand), down ¥1,636 million (US$14,739 thousand) from the end of the previous fiscal year. This largely reflected a fall in investment securities of ¥1,717 million (US$15,472 thousand) due to the sale and revaluation of stockholdings.

(Liabilities)

Total liabilities at the end of the fiscal year under review were ¥17,794 million (US$160,300 thousand), increasing ¥1,717 million (US$15,472 thousand) from the end of the previous fiscal year.

Current liabilities at the end of the fiscal year under review were ¥14,624 million (US$131,737 thousand), up ¥234 million (US$20,757 thousand) from the end of the previous fiscal year. This was mainly due to an increase in trade notes and accounts payable of ¥1,888 million (US$17,008 thousand) and a rise in short-term loans of ¥221 million (US$1,998 thousand). Non-current liabilities at the end of the fiscal year under review were ¥3,171 million (US$28,563 thousand), down ¥586 million (US$5,285 thousand) from the end of the previous fiscal year. This was due largely to a fall in deferred tax liabilities of ¥554 million (US$4,995 thousand).

(Net assets)

Net assets at the end of the fiscal year under review were ¥56,291 million (US$507,078 thousand), an increase of ¥157 million (US$1,421 thousand) from the end of the previous fiscal year. This was mainly due to net income attributable to owners of the parent of ¥3,167 million (US$28,528 thousand), a ¥1,153 million (US$10,388 thousand) fall in the valuation difference on available-for-sale securities, cash dividends paid of ¥995 million (US$8,958 thousand), and the purchase of treasury shares of ¥501 million (US$4,515 thousand).

Cash Flows

Consolidated cash and cash equivalents (hereinafter “cash”) were ¥16,171 million (US$145,671 thousand) at the end of the fiscal year under review, increasing ¥2,458 million (US$22,143 thousand) from the end of the previous fiscal year, largely due to income before income taxes of ¥4,598 million (US$41,417 thousand).

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,085 million (US$36,801 thousand), an increase of ¥769 million (US$6,932 thousand) from the previous fiscal year. This was largely due to income before income taxes of ¥4,598 million (US$41,417 thousand), depreciation of ¥1,132 million (US$10,201 thousand), an increase in trade notes and accounts receivable of ¥1,371 million (US$12,354 thousand), and a rise in trade notes and accounts payable of ¥1,972 million (US$17,764 thousand).

(Cash flows from investing activities)

Net cash used in investing activities was ¥164 million (US$1,478 thousand), a decrease of ¥956 million (US$8,620 thousand) from the previous fiscal year. This largely reflected the purchase of property, plant and equipment of ¥1,489 million (US$13,410 thousand) and a net decrease (increase) in time deposits of ¥1,112 million (US$10,019 thousand).

(Cash flows from financing activities)

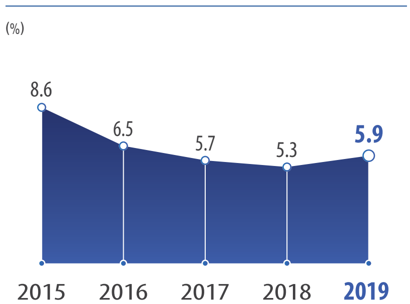
Net cash used in financing activities was ¥1,316 million (US$11,855 thousand), an increase of ¥577 million (US$5,204 thousand) from the end of the previous fiscal year. This mainly reflected the purchase of treasury shares of ¥501 million (US$4,514 thousand) and dividends paid of ¥994 million (US$8,958 thousand).

Dividends

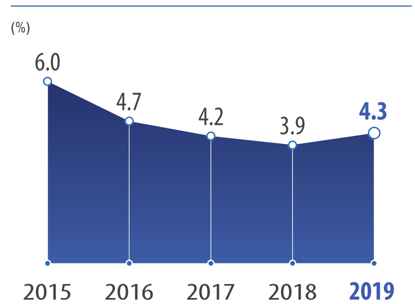
Denyo recognizes the importance of making further efforts to return profits to shareholders while also investing in equipment and research & development to enhance and maintain product competitiveness and striving to improve profitability and strengthen its financial structure. Our policy is to distribute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

Based on this policy, for the fiscal year under review, we paid an interim dividend of ¥20 (US$0.18) per share and decided to pay an ordinary year-end dividend of ¥22 (US$0.20) per share. As a result, the annual dividend amounted to ¥42 (US$0.38) per share (an increase of ¥2 (US$0.02) from the previous fiscal year), and the consolidated dividend payout ratio came to 28.0%.

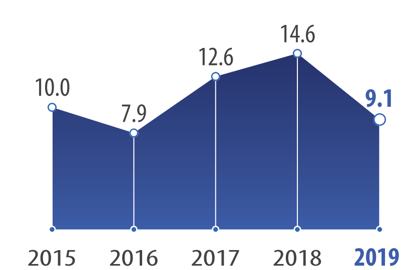
Return on Average Shareholders’ Equity



Return on Average Assets (ROA)



Price Earnings Ratio



DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2019

Consolidated Balance Sheet

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2019	2018	2019
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥16,171	¥13,713	$145,671
Time deposits other than cash equivalents (Note 15)	18	1,158	165
Receivables (Note 15):			
Trade notes	8,973	7,748	80,833
Trade accounts	10,889	11,277	98,091
Associated companies (Note 21)	2,891	2,454	26,044
Other	82	98	735
Allowance for doubtful receivables	(6)	(6)	(51)
Inventories (Note 5)	10,648	9,751	95,920
Prepaid expenses and other current assets	183	144	1,642
Total current assets	49,849	46,337	449,050
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	4,835	4,842	43,552
Buildings and structures	13,225	12,717	119,131
Machinery and equipment (Note 14)	7,240	6,745	65,218
Furniture and fixtures	1,899	1,830	17,108
Construction in progress	102	198	918
Total	27,301	26,332	245,927
Accumulated depreciation	(12,886)	(12,184)	(116,075)
Net property, plant and equipment	14,415	14,148	129,852
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	8,164	9,964	73,547
Investments in associated companies (Note 7)	940	858	8,469
Deferred tax assets (Notes 2.w and 12)	175	184	1,575
Other assets	543	719	4,885
Total investments and other assets	9,822	11,725	88,476
TOTAL	¥74,086	¥72,210	$667,378

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 15)	¥432	¥210	$3,890
Current portion of long-term debt (Notes 8, 14 and 15)	1	3	13
Payables (Note 15):			
Trade notes	3,399	3,077	30,617
Trade accounts	8,035	6,469	72,379
Associated companies	9	9	79
Other	233	230	2,102
Accrued income taxes (Note 12)	539	473	4,855
Accrued expenses	1,382	1,318	12,454
Provision for product warranties	100	109	899
Other current liabilities	494	422	4,449
Total current liabilities	14,624	12,320	131,737
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 14 and 15)	1,111	1,065	10,006
Liability for retirement benefits (Note 10)	433	486	3,898
Deferred tax liabilities (Notes 2.w and 12)	1,323	1,877	11,918
Other long-term liabilities	304	329	2,741
Total long-term liabilities	3,171	3,757	28,563
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 16 and 17)			
EQUITY (Note 11):			
Common stock—authorized, 97,811,000 shares; issued, 22,859,660 shares in 2019 and 22,859,660 shares in 2018	1,955	1,955	17,610
Capital surplus	1,779	1,779	16,030
Retained earnings	48,794	46,622	439,539
Treasury stock—at cost, 1,901,761 shares in 2019 and 1,617,052 shares in 2018 (Note 3)	(2,107)	(1,622)	(18,982)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,464	4,617	31,207
Foreign currency translation adjustments	301	756	2,714
Defined retirement benefit plans	(33)	(41)	(296)
Total	54,153	54,066	487,822
Noncontrolling interests	2,138	2,067	19,256
Total equity	56,291	56,133	507,078
TOTAL	¥74,086	¥72,210	$667,378

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2019

Consolidated Statement of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET SALES (Note 20 and 21)	¥55,554	¥50,182	$500,446
COST OF SALES	43,145	38,100	388,665
Gross profit	12,409	12,082	111,781
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	8,208	8,180	73,934
Operating income	4,201	3,902	37,847
OTHER INCOME (EXPENSES):			
Interest and dividend income	222	193	1,997
Interest expense	(46)	(51)	(413)
Gain on sale of property, plant and equipment	4	1	40
Loss on sale or disposal of property, plant and equipment	(12)	(8)	(112)
Loss on impairment of long-lived assets (Note 6)	(108)		(972)
Loss on revaluation of investment securities		(34)	
Foreign exchange gain (loss)	20	(38)	177
Equity in earnings of associated companies	99	99	893
Rent income	78	73	703
Commitment fee	(7)	(7)	(63)
Gain on sale of investment securities	121	4	1,087
Other—net	26	16	233
Other income—net	397	248	3,570
INCOME BEFORE INCOME TAXES	4,598	4,150	41,417
INCOME TAXES (Note 12):			
Current	1,265	1,237	11,395
Deferred	(24)	15	(219)
Total income taxes	1,241	1,252	11,176
NET INCOME	3,357	2,898	30,241
NET INCOME ATTRIBUTABLE TO:			
Owners of the parent	3,167	2,762	28,528
Noncontrolling interests	190	136	1,713
NET INCOME (Forward)	¥3,357	¥2,898	$30,241
OTHER COMPREHENSIVE (LOSS) INCOME (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(1,152)	881	(10,379)
Foreign currency translation adjustments	(533)	(27)	(4,804)
Defined retirement benefit plans	8	(39)	72
Share of other comprehensive (loss) income in associates	(1)	1	(9)
Total other comprehensive (loss) income	(1,678)	816	(15,120)
COMPREHENSIVE INCOME	¥1,679	¥3,714	$15,121
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥1,567	¥3,596	$14,114
Noncontrolling interests	112	118	1,007

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t and 19):			
Basic net income	¥149.83	¥130.03	$1.35
Cash dividends applicable to the year	42.00	40.00	0.38

See notes to consolidated financial statements.

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2019

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	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2017	21,236	¥1,955	¥1,779	¥44,522	¥(1,632)	¥3,736	¥765	¥(2)	¥51,123	¥2,023	¥53,146
Net income attributable to owners of the parent				2,762					2,762		2,762
Cash dividends, ¥40 per share				(662)					(662)		(662)
Purchase of treasury stock					(1)				(1)		(1)
Selling of treasury stock	7				11				11		11
Net change in the year						881	(9)	(39)	833	44	877
BALANCE, MARCH 31, 2018	21,243	1,955	1,779	46,622	(1,622)	4,617	756	(41)	54,066	2,067	56,133
Net income attributable to owners of the parent				3,167					3,167		3,167
Cash dividends, ¥42 per share				(995)					(995)		(995)
Purchase of treasury stock	(300)				(501)				(501)		(501)
Selling of treasury stock	15				16				16		16
Net change in the year						(1,153)	(455)	8	(1,600)	71	(1,529)
BALANCE, MARCH 31, 2019	20,958	¥1,955	¥1,779	¥48,794	¥(2,107)	¥3,464	¥301	¥(33)	¥54,153	¥2,138	¥56,291

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2018	$17,610	$16,030	$419,969	$(14,610)	$41,595	$6,812	$(368)	$487,038	$18,619	$505,657
Net income attributable to owners of the parent			28,528					28,528		28,528
Cash dividends, $0.38 per share			(8,958)					(8,958)		(8,958)
Purchase of treasury stock				(4,515)				(4,515)		(4,515)
Selling of treasury stock				143				143		143
Net change in the year					(10,388)	(4,098)	72	(14,414)	637	(13,777)
BALANCE, MARCH 31, 2019	$17,610	$16,030	$439,539	$(18,982)	$31,207	$2,714	$(296)	$487,822	$19,256	$507,078

See notes to consolidated financial statements.

DENYO CO., LTD. AND SUBSIDIARIES · YEAR ENDED MARCH 31, 2019

Consolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥4,598	¥4,150	$41,417
Adjustments for:			
Income taxes paid	(1,211)	(1,397)	(10,909)
Depreciation and amortization	1,132	1,199	10,201
Loss on sale or disposal of property, plant and equipment—net	8	6	72
Gain on sale of investment securities (Note 2.w)	(121)	(4)	(1,087)
Loss on impairment of long-lived assets	108		972
Equity in earnings of associated companies	(99)	(99)	(893)
Loss on revaluation of investment securities		34	
Changes in assets and liabilities, net of effects:			
(Increase) in trade notes and accounts receivable	(1,371)	(2,094)	(12,354)
(Increase) decrease in inventories	(995)	897	(8,966)
Decrease in interest and dividends receivable	19	10	169
Increase in trade notes and accounts payable	1,972	618	17,764
(Decrease) increase in provision for allowance for doubtful accounts	(1)	2	(4)
(Decrease) increase in liability for retirement benefits	(32)	15	(284)
Other—net	78	(22)	703
Total adjustments	(513)	(835)	(4,616)
Net cash provided by operating activities	4,085	3,315	36,801
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	5	2	46
Purchases of property, plant and equipment	(1,489)	(681)	(13,410)
Purchases of securities	(3)	(2)	(24)
Proceeds from sales of securities	266	29	2,399
Investment in loans receivable	(7)	(1)	(67)
Collections of loans receivable	7	6	59
Decrease (increase) in time deposit—net	1,112	(457)	10,019
Other—net	(55)	(17)	(500)
Net cash used in investing activities	(164)	(1,121)	(1,478)
FINANCING ACTIVITIES:			
Increase in short-term loans—net	221	1	1,988
Purchases of treasury stock	(501)	(1)	(4,514)
Dividends paid	(994)	(663)	(8,958)
Other—net	(42)	(75)	(371)
Net cash used in financing activities	(1,316)	(738)	(11,855)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(147)	38	(1,325)
NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥2,458	¥1,494	$22,143
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,713	12,219	123,528
CASH AND CASH EQUIVALENTS, END OF YEAR	¥16,171	¥13,713	$145,671

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 ¥111.01 to $1, the approximate rate of exchange at March 31, 2019. 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, 2019, include the accounts of the Company and its 10 subsidiaries, including mainly "Denyo Kosan Co., Ltd.," "Nishihatsu 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").

On October 1, 2018, "Nishinihon Generator Mfg. Co., Ltd." changed its trade name to "Nishihatsu Co., Ltd."

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.

h. ***Long-Lived Assets—*** The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

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.

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.

l. ***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.

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

n. ***Leases—*** BoIn 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 that 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 Pronouncements*

Accounting Standard for Revenue Recognition— On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

w. *Change in Disclosures—* On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, in the accompanying consolidated balance sheet, and deferred tax assets of ¥489 million which were previously classified as current assets, respectively, as of March 31, 2018, has decreased and investments and other assets of ¥110 million has increased. On the other hand, long-term tax liabilities of ¥379 million has decreased.

In addition, deferred tax assets and deferred tax liabilities of the same taxable entity are offset and displayed, and total assets decreased by ¥379 million compared to before the change.

"Gain on sale of investment securities" which had been included in the "Other—net" in "Operating activities" in the consolidated statement of cash flows for the year ended March 31, 2018, was presented as separate line items for the year ended March 31, 2019, due to increase in materiality.

As a result, the amount of ¥(26) million disclosed as "Other-net" under "Operating activities" in the consolidated statement of cash flows for the year ended March 31, 2018, has been reclassified as ¥(4) million under "Gain on sale of investment securities" and as ¥(22) million under "Other—net."

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
	2019	2018	2019
Treasury stock	¥511	¥526	$4,599
(Number of shares (thousands of shares))	(792)	(808)	

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-current:			
Marketable equity securities	¥7,166	¥8,852	$64,558
Marketable trust fund investments and other		114	
Nonmarketable equity securities	998	998	8,989
Total	¥8,164	¥9,964	$73,547

The cost and aggregate fair values of marketable and investment securities at March 31, 2019 and 2018, were as follows:

	Millions of Yen			
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—				
Equity securities	¥2,216	¥4,951	¥1	¥7,166
March 31, 2018				
Securities classified as available-for-sale—				
Equity securities	¥2,245	¥6,607		¥8,852
Trust fund investments and other	115		¥1	114

	Thousands of U.S. Dollars			
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$19,969	$44,602	$13	$64,558

The proceeds, realized gains and realized losses of the available for sale securities which were sold during the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		
March 31, 2019	Proceeds	Realized Gains	Realized Loss
Available-for-sale—Equity securities	¥266	¥122	¥1
March 31, 2018			
Available-for-sale—Equity securities	¥29	¥4	

	Thousands of U.S. Dollars		
March 31, 2019	Proceeds	Realized Gains	Realized Loss
Available-for-sale—Equity securities	$2,399	$1,102	$15

The impairment losses on available-for-sale equity securities for the year ended March 31, 2018, was ¥34 million.

5. INVENTORIES

Inventories at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Finished products and merchandise	¥4,258	¥5,254	$38,361
Work in process	1,237	1,184	11,141
Raw materials and supplies	5,153	3,313	46,418
Total	¥10,648	¥9,751	$95,920

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2019. As a result, the Group recognized an impairment loss of ¥108 million ($972 thousand) as loss on impairment of long-lived assets for an employee dormitory following the decision to abolish and demolish it and the carrying amount of the relevant buildings and leasehold rights was written down to the recoverable amount. The recoverable amount was measured using the net realizable value based on the selling price and evaluated at ¥0. No impairment loss was recognized in 2018.

7. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments—New Japan Machinery Corporation	¥940	¥858	$8,469
Total	¥940	¥858	$8,469

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

Short-term bank loans at March 31, 2019 and 2018, consisted of bank overdrafts. The weighted-average interest rate applicable to the short-term bank loans was 1.9% and 0.6% at March 31, 2019 and 2018.

Long-term debt at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unsecured loans from banks, with interest rate at 3.4% (2019 and 2018)	¥1,110	¥1,063	$10,000
Obligations under finance leases	2	5	19
Total	1,112	1,068	10,019
Less current portion	(1)	(3)	(13)
Long-term debt, less current portion	¥1,111	¥1,065	$10,006

Annual maturities of long-term debt at March 31, 2019, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥1	$13
2021	1	6
2022	1,110	10,000
2023		
2024		
Total	¥1,112	$10,019

9. 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 ($27,025 thousand) as of March 31, 2019. The Company had no borrowings outstanding under the agreement as of March 31, 2019.

10. 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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥2,905	¥2,766	$26,168
Current service cost	169	162	1,526
Interest cost	23	23	207
Actuarial (gains) losses	(8)	83	(70)
Benefits paid	(213)	(125)	(1,922)
Others	(11)	(4)	(99)
Balance at end of year	¥2,865	¥2,905	$25,810

(2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥2,552	¥2,462	$22,987
Expected return on plan assets	30	30	277
Actuarial losses	(2)	(2)	(21)
Contributions from the employer	188	186	1,702
Benefits paid	(194)	(125)	(1,749)
Others	1	1	1
Balance at end of year	¥2,575	¥2,552	$23,197

(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
	2019	2018	2019
Funded defined benefit obligation	¥2,780	¥2,803	$25,041
Plan assets	2,575	2,552	23,197
Total	205	251	1,844
Unfunded defined benefit obligation	85	102	769
Liability for stock granting retirement	143	133	1,285
Net liability arising from defined benefit obligation	¥433	¥486	$3,898

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥433	¥486	$3,898
Net liability arising from defined benefit obligation	¥433	¥486	$3,898

(4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥169	¥162	$1,526
Interest cost	23	23	207
Expected return on plan assets	(30)	(30)	(277)
Recognized actuarial losses	22	11	197
Stock granting cost	46	38	416
Net periodic benefit costs	¥230	¥204	$2,069

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Actuarial gains (losses)	¥12	¥(56)	$105

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial gains	¥(47)	¥(59)	$(426)

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
General account managed by a life insurance company	100.0%	99.9%
Others		0.1
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, 2019 and 2018, are set forth as follows:

	2019	2018
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%

11. 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.

12. 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 30.6% and 30.9% for the years ended March 31, 2019 and 2018 respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Accrued bonuses	¥193	¥191	$1,739
Provision for product warranties	31	34	279
Accrued enterprises taxes	37	38	338
Unrealized gain on sale of inventory	104	61	937
Unrealized gain on sale of property	21	22	192
Liability for retirement benefits	115	127	1,033
Loss on revaluation of investment securities	22	34	198
Tax loss carryforwards	21	31	191
Other	237	239	2,137
Less valuation allowance	(73)	(85)	(664)
Total	708	692	6,380
Deferred tax liabilities:			
Reserve for deferred gains on sales of property	346	346	3,121
Unrealized gain on available-for-sale securities	1,498	2,002	13,492
Other	12	37	110
Total	1,856	2,385	16,723
Net deferred tax liabilities	¥(1,148)	¥(1,693)	$(10,343)

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, 2019, is as follows:

	2019
Normal effective statutory tax rate	30.6%
Expenses not deductible for income tax purposes	2.0
Income not recognizable for income tax purposes	(0.5)
Per capita portion of inhabitants' taxes	0.6
Tax credits	(2.8)
Lower income tax rates applicable to income in certain foreign countries	(1.8)
Valuation allowance	(0.5)
Other—net	(0.6)
Actual effective tax rate	27.0%

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, 2018, is less than 5% of the normal effective statutory tax rate, a reconciliation is omitted.

At March 31, 2019, some subsidiaries have tax loss carryforwards aggregating approximately ¥104 million ($939 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
2020	¥48	$431
2021		
2022		
2023	53	474
2024 and thereafter	3	34
Total	¥104	$939

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥588 million ($5,297 thousand) and ¥529 million for the years ended March 31, 2019 and 2018, respectively.

14. LEASES

The Group leases certain vehicles.

Lease payments under finance leases for the years ended March 31, 2019 and 2018, were ¥3 million ($24 thousand) and ¥3 million, respectively.

Obligations under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥1	¥3	$13
Due after one year	1	2	6
Total	¥2	¥5	$19

15. 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 16.

(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 16 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 16, "Derivatives," do not indicate market risk of derivative transactions. Also, please see Note 16 for the details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥16,171	¥16,171	
Time deposits other than cash equivalents	18	18	
Receivables	22,829	22,829	
Investment securities	7,167	7,167	
Total	¥46,185	¥46,185	
Short-term bank loans	¥432	¥432	
Payables	11,676	11,676	
Long-term debt	1,112	1,112	
Total	¥13,220	¥13,220	
Derivatives	¥(191)	¥(191)	

March 31, 2018	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥13,713	¥13,713	
Time deposits other than cash equivalents	1,158	1,158	
Receivables	21,571	21,571	
Investment securities	8,966	8,966	
Total	¥45,408	¥45,408	
Short-term bank loans	¥210	¥210	
Payables	9,785	9,785	
Long-term debt	1,068	1,057	¥11
Total	¥11,063	¥11,052	¥11
Derivatives	¥(167)	¥(167)	

March 31, 2019	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	$145,671	$145,671	
Time deposits other than cash equivalents	165	165	
Receivables	205,652	205,652	
Investment securities	64,558	64,558	
Total	$416,046	$416,046	
Short-term bank loans	$3,890	$3,890	
Payables	105,177	105,177	
Long-term debt	10,019	10,017	$2
Total	$119,086	$119,084	$2
Derivatives	$(1,722)	$(1,722)	

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 relevant 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 16.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in equity instruments that do not have a quoted market price in an active market	¥997	¥997	$8,989

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

March 31, 2019	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥16,171		$145,671	
Time deposits other than cash equivalents	18		165	
Receivables	22,829		205,652	
Total	¥39,018		$351,488	

Please see Note 8 for annual maturities of long term debt and Note 14 for obligations under finance leases.

16. 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

March 31, 2019	Millions of Yen				Thousands of U.S. Dollars			
	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	¥(15)	¥(15)	$9,152	$9,152	$(134)	$(134)
Currency swap contracts— Selling U.S.$	520	520	(176)	(176)	4,688	4,688	(1,588)	(1,588)
March 31, 2018								
Foreign currency forward contracts— Selling U.S.$	¥1,016	¥1,016	¥49	¥49				
Currency swap contracts— Selling U.S.$	756	756	(216)	(216)				

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2019	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$10,000	$10,000	
March 31, 2018				
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 15 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.

17. CONTINGENT LIABILITIES

At March 31, 2019, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Export trade bill discounted	¥245	$2,210

18. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income, including reclassification adjustments and tax effects for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥(1,536)	¥1,235	$(13,835)
Reclassification adjustments to profit or loss	(121)	34	(1,087)
Amount before income tax effect	(1,657)	1,269	(14,922)
Income tax effect	505	(388)	4,543
Total	¥(1,152)	¥881	$(10,379)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(533)	¥(27)	$(4,804)
Total	¥(533)	¥(27)	$(4,804)
Defined retirement benefit plans:			
Adjustments arising during the year	¥12	¥(56)	$105
Amount before income tax effect	12	(56)	105
Income tax effect	(4)	17	(33)
Total	¥8	¥(39)	$72
Share of other comprehensive (loss) income in associates—			
(Losses) gains arising during the year	¥(1)	¥1	$(9)
Total	¥(1)	¥1	$(9)
Total other comprehensive (loss) income	¥(1,678)	¥816	$(15,120)

19. NET INCOME PER SHARE

Basis for the computation of net income per share ("EPS") for the years ended March 31, 2019 and 2018, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2019	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥3,167	21,136	¥149.83	$1.35
Year Ended March 31, 2018				
Basic EPS—Net income available to common shareholders	¥2,762	21,241	¥130.03	

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." In calculating the number of weighted-average shares above, the number of shares that are held by the Trust (800 thousand shares in 2019 and 809 thousand shares in 2018) is reflected.

20. 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 "Nishihatsu 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						
	2019						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥40,711	¥10,893	¥3,314	¥636	¥55,554		¥55,554
Intersegment sales or transfers	4,300	317	3,631	4	8,252	¥(8,252)	
Total	¥45,011	¥11,210	¥6,945	¥640	¥63,806	¥(8,252)	¥55,554
Segment profit	¥2,445	¥755	¥621	¥29	¥3,850	¥351	¥4,201
Segment assets	62,147	7,288	10,290	553	80,278	(6,192)	74,086
Other:							
Depreciation and amortization	494	172	466		1,132		1,132
Impairment losses of assets	108				108		108
Investments in associated companies	940				940		940
Increase in property, plant and equipment and intangible assets	819	672	9		1,500		1,500

	Millions of Yen						
	2018						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥37,917	¥8,077	¥3,857	¥331	¥50,182		¥50,182
Intersegment sales or transfers	3,809	275	3,535	4	7,623	¥(7,623)	
Total	¥41,726	¥8,352	¥7,392	¥335	¥57,805	¥(7,623)	¥50,182
Segment profit	¥2,234	¥782	¥382	¥7	¥3,405	¥497	¥3,902
Segment assets	61,702	6,217	10,605	461	78,985	(6,775)	72,210
Other:							
Depreciation and amortization	485	157	557		1,199		1,199
Investments in associated companies	858				858		858
Increase in property, plant and equipment and intangible assets	400	451	19		870		870

	Thousands of U.S. Dollars						
	2019						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$366,731	$98,128	$29,851	$5,736	$500,446		$500,446
Intersegment sales or transfers	38,732	2,861	32,710	36	74,339	$(74,339)	
Total	$405,463	$100,989	$62,561	$5,772	$574,785	$(74,339)	$500,446
Segment profit	$22,029	$6,805	$5,591	$260	$34,685	$3,162	$37,847
Segment assets	559,832	65,650	92,691	4,987	723,160	(55,782)	667,378
Other:							
Depreciation and amortization	4,447	1,549	4,203	2	10,201		10,201
Impairment losses of assets	972				972		972
Investments in associated companies	8,469				8,469		8,469
Increase in property, plant and equipment and intangible assets	7,373	6,055	82		13,510		13,510

Related Information

(1) Information about Products and Services

Information about products and services for the years ended March 31, 2019 and 2018, 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, 2019 and 2018, are summarized as follows:

	Millions of Yen				
	2019				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥33,693	¥14,080	¥5,528	¥2,253	¥55,554
Property, plant and equipment	9,424	1,702	3,288	1	14,415
Impairment losses of assets	108				108

	Millions of Yen				
	2018				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥31,212	¥10,383	¥5,939	¥2,648	¥50,182
Property, plant and equipment	9,087	1,223	3,837	1	14,148

	Thousands of U.S. Dollars				
	2019				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	$303,518	$126,838	$49,795	$20,295	$500,446
Property, plant and equipment	84,899	15,331	29,621	1	129,852
Impairment losses of assets	972				972

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, 2019 and 2018, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Name of Customers	2019	2018	2019	Related Segment
Multiquip Inc.	¥10,893	¥8,077	$98,128	United States of America

21. 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, 2019 and 2018, and related balances at March 31, 2019 and 2018, were mainly as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Transactions—Sales	¥3,567	¥2,936	$32,129
Balances:			
Trade notes receivable	¥1,782	¥1,594	$16,050
Trade accounts receivable	1,088	845	9,803

22. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2019, was approved at the Company's Board of Directors' meeting held on May 16, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥22 ($0.20) per share	¥480	$4,320

* * * * * *

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, 2019, 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, 2019, 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 28, 2019

Deloitte Touche Tohmatsu LLC

Deloitte Touche Tohmatsu LLC

Company Data

Company outline (As of March 31, 2019)

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.$17,609,526)
Authorized shares	97,811,000
Issued Shares	22,859,660
Shareholders	5,013
Financial Year	April 1 to March 31
Employees	576 (1,350 consolidated)
Branch and Sales offices	21

Directors, Audit Supervisory Board Members (As of June 27, 2019)

President	**Shoichi Shiratori**	
Representative Director, Executive Vice President	**Yoji Eto**	Responsible for Global Marketing Office, Production Division, Overseas Manufacturing Subsidiary
Director & Executive Advisor	**Hideaki Kuboyama**	
Director, Senior Managing Executive Officer	**Yasuo Mizuno**	Chief Executive, Sales Division Responsible for Overseas Sales Subsidiary
Director, Managing Executive Officer	**Toshiya Tozawa**	Chief Executive, Adminstration Division
Director, Executive Officer	**Takanori Yoshinaga**	Chief Executive, Development Division
Director, Executive Officer	**Masao Yamada**	Chief Executive, Quality Management Division
Director	**Haruhito Takada***	
Director	**Yoshio Takeyama****	
Audit & Supervisory Board Member	**Masaru Sugiyama**	
Audit & Supervisory Board Member	**Toru Hiroi**	
Audit & Supervisory Board Member	**Akira Yamada***	
Audit & Supervisory Board Member	**Keiko Yamagami***	

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

Executive Officers (As of June 27, 2019)

Senior Executive Officer	**Yasuhiro Yamada**	Head of International Sales Unit General Manager, International Sales Department I Sales Division
Senior Executive Officer	**Makoto Tanabe**	General Manager, Planning & Coordination Department, Finance Department Administration Division
Senior Executive Officer	**Kensaku Moriyama**	Deputy Chief Executive, Sales Division, Head of Domestic Sales Unit
Senior Executive Officer	**Michio Nonaka**	Chief Executive, Production Division, General Manager, Production Management Department Production Division
Executive Officer	**Chiyoki Kimura**	General Manager, General Affairs Department Administration Division
Executive Officer	**Toshiaki Shimazu**	General Manager, Manufacturing Department Production Division
Executive Officer	**Yukio Nunogami**	General Manager, West Japan Sales Department Sales Division
Executive Officer	**Masakazu Minato**	General Manager, East Japan Sales Department Sales Division
Executive Officer	**Katsumi Ishikura**	General Manager, Sales Promotion Department Sales Division
Executive Officer	**Noboru Chosei**	General Manager, Development Department, Patent Administration 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

Nishihatsu 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, Lieu Xa Commune,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, 2019)

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 1,061,181 shares of Company's own stock)
Stock Listing	Tokyo Stock Exchange, First Section (Code: 6517)
Shareholders	5,013
Transfer Agency	Tokyo Securities Transfer Agent Co., Ltd. 3-11, Kanda Nishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan

Major Shareholders (As of March 31, 2019)

Shareholders	**Shares Held** (Thousands)	**Voting Right Ratio** (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,459	6.69
Kyuei Corporation	1,417	6.50
Mizuho Trust & Banking Co., Ltd.	1,088	4.99
The Dai-ichi Life Insurance Co., Ltd.	872	4.00
Trust & Custody Services Bank, Ltd. (Trust E Account)	791	3.63
Japan Trustee Services Bank,Ltd. (Trust Account)	676	3.10
Denyo Shin-eikai Group	607	2.78
Tsurumi Manufacturing Co., Ltd.	543	2.49
MUFG Bank, Ltd.	540	2.47
Northern Trust Co. (AVFC) Re Fidelity Funds	522	2.39

Denyo Co.,Ltd.

http://www.denyo.co.jp

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