2023

ANNUAL REPORT

Year ended March 31, 2023

Denyo Co.,Ltd.

Profile

Since its establishment in 1948, Denyo has been a pioneer in outdoor power source, 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 70% share of the domestic market for engine-driven generators, our main product. The Denyo Group comprises the Company and eleven subsidiaries and affiliate, along with its production facilities in Southeast Asia and the U.S., and R&D center in Japan.

Contents

Service Center Kanto Established

Denyo established Service Center Kanto in Sakura City, Chiba as its East Japan base for large equipment maintenance. This facility began operating on March 1, 2023.

This reflects our plan to reinforce our structure for repairing and maintaining large equipment. We made this plan because demand has been strong for generators for construction work, including urban development construction and infrastructure repair work, allowing us to expect medium- to long-term growth in demand for large generators.

Service Center Kanto enables generators to be maintained indoors, from 1 kVA units up to 1,100 kVA-class large generators (weighing 15 tons with total dimensions of approx. 6.5 m x 2.2 m x 2.8 m), which are our largest products. This in turn enables is to promptly repair and maintain equipment.

We will also effective use the facility to train engineers and staff from service plants* all over Japan as part of our efforts to develop human resources.

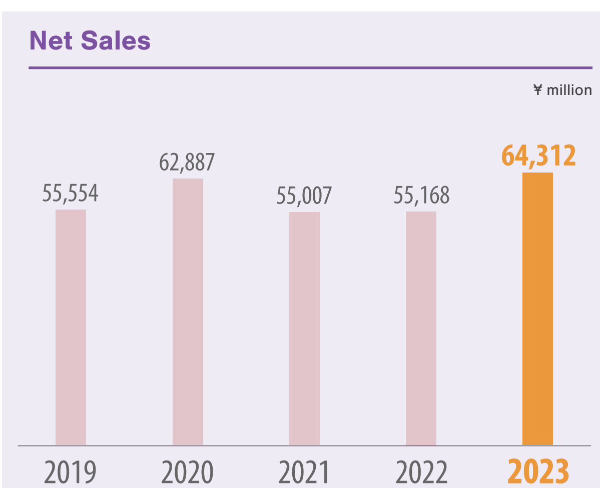
Following the opening of this first service facility, we plan to establish Service Center Nishi Nihon in Okayama. We will move ahead with this plan to further enhance our services.

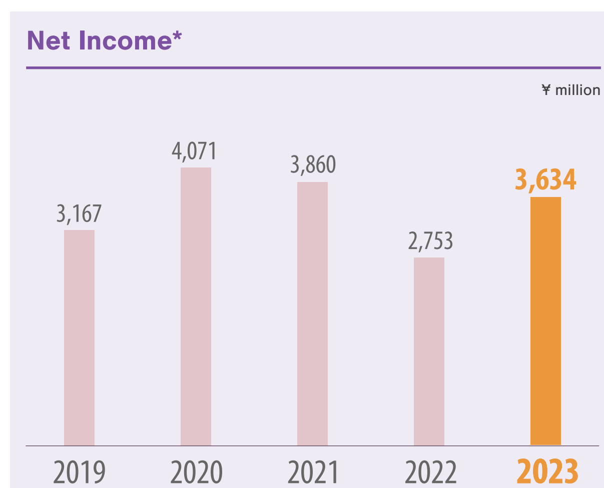
* Servicing plant: Subcontracting companies that preform servicing operations such as the inspection and repair of Denyo products and sales of parts

Consolidated Financial Highlights

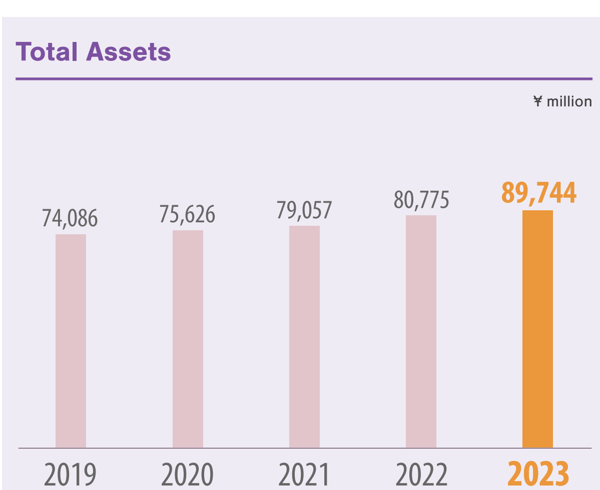
	Millions of Yen			Thousands of U.S. Dollars
	2023	2022	2021	2023
Net Sales	¥64,312	¥55,168	¥55,007	$481,591
Total Assets	89,744	80,775	79,057	672,041
Total Net Assets	68,659	63,761	61,564	514,145
Operating Income	4,874	3,654	5,333	36,501
Net Income*	3,634	2,753	3,860	27,210
Per Share Data		Yen		U.S. Dollars
Total Net Assets	¥3,193.67	¥2,963.99	¥2,846.49	$23.92
Net Income*	175.64	132.02	185.13	1.32
Cash Dividends	50.00	47.00	47.00	0.37

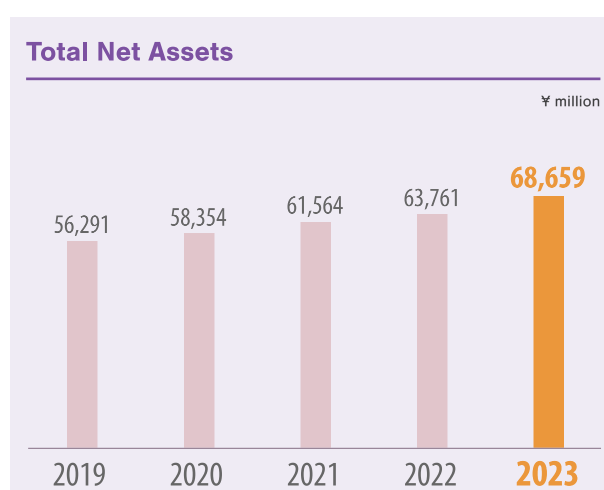
Note:Transaction into U.S. dollars has been made, solely for the reader's convenience, at the rate of ¥133.41 to U.S.$1, prevailing on the Tokyo Foreign Exchange Market on March 31, 2023.





* Net Income attributable to owners of the parent.





TO OUR SHAREHOLDERS

Denyo Co.,Ltd.

Shoichi Shiratori
Representative Director, Chairman

Takanori Yoshinaga,
President

In the year ended March 31, 2023, the 75th term, the consolidated net sales of the Denyo Group increased 16.6% year on year, to ¥64,312 million (US$481,591 thousand). Ordinary profit increased 28.6% year on year to ¥5,181 million (US$38,796 thousand), and profit attributable to owners of the parent was ¥3,634 million (US$27,210 thousand), up 32.0% year on year. Thus, both sales and profits increased significantly.

In the domestic business environment, economic activity has normalized gradually, and there were signs of a recovery of demand related to events in addition to solid construction demand. The overseas business environment (the United States and other countries and regions) recovered at a remarkable rate and shipments increased significantly. This was also boosted by the deprecation of the yen.

Meanwhile, manufacturing costs rose considerably, reflecting factors including persistently high raw materials prices, delivery delays and shortages of production materials. Therefore, we asked customers to accept revised prices and made on-time delivery the top priority. As a result, we were able to improve profits from the previous fiscal year.

Regarding the future outlook, public investment is expected to continue, including government measures for the Fundamental Plan for National Resilience, etc., and investments in initiatives such as disaster prevention and mitigation initiatives will remain steady. Strong demand is expected to remain in overseas markets as well. On the production front, however, we will maintain a cautious stance because issues such as rising raw materials prices, parts shortages and labor shortages have surfaced.

The current fiscal year is the final year of the Denyo 2023 three-year medium-term management plan. To achieve the plan, we will proactively developing products suited to the times and strive to ensure stable production through the cooperation of all the Group companies around the world.

Regarding dividends for the year ended March 31, 2023, we paid an interim dividend of ¥23 (US$0.17) per share and decided to pay an ordinary year-end dividend of ¥27 (US$0.20) per share. As a result, dividends for the full year came to ¥50 (US$0.37) per share.

We wish to thank all shareholders for their continued support for the Denyo Group going forward.

June 2023

T. Yoshinaga

Takanori Yoshinaga,
President

S. Shiratori

Shoichi Shiratori,
Representative Director,
Chairman

Review of Operations

1 *PL-241SLB, an LED floodlight featuring splitable lamps*

Denyo developed the PL-241SLB LED floodlight featuring splitable lamps and began selling it in November 2022.

PL-241SLB features splitable lamps, which enable the easy setup and removal of the PL-241SLB and a wide range of illumination angles, including wide-angle illumination and downward illumination.

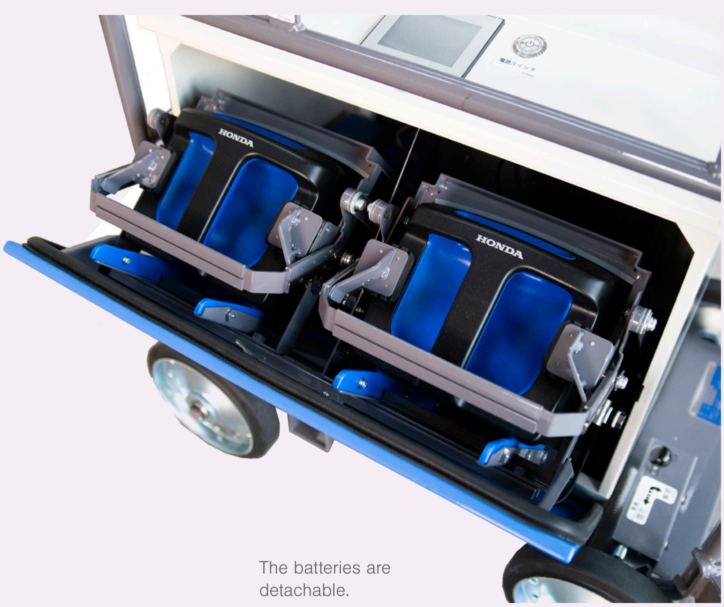
Powered by lithium ion batteries, the unit is a noiseless, exhaust gasless and environmentally friendly floodlight that can be used both indoors and outdoors.

It uses two removable and replaceable batteries. If one of the batteries runs out of electricity, the user can replace it with a charged battery while continuing to be illuminated because the floodlight is able to operate on one battery.

The brightness level can be switched between high, medium, and low using the control panel. Further, the unit indicates the remaining illumination time and battery life, enabling people to use it without worry.

Denyo will continue to develop environmentally friendly products.

The splittable lamps permit easy setup and removal.



The batteries are detachable.

PL-241SLB

2 TLG-8LSKE-D, a generator featuring simultaneous three-phase and single-phase output

Denyo developed and started selling TLG-8LSKE-D in October 2022. Featuring Eco Base, TLG-8LSKE-D is a new model of the TLG-8LSK-D compact, lightweight two-pole generator from the Simul Generator series of generators for the simultaneous output of three-phase and single-phase power.

TLG-8LSKE-D is capable of simultaneously outputting three-phase four-wire and single-phase three-wire power, which is a feature of the Simul Generator series. This means that the single unit can be used for a wide range of purposes, such as supplying three-phase power to a water pump or compressor and supplying single-phase power to lighting or air-conditioning equipment in a temporary office.

TLG-8LSKE-D comes standard with Eco Base, which prevents the leakage of fuel and oil outside of the machine. Therefore, it can be used in places with strict installation standards, such as rivers and ports. In addition, the unit can be optionally equipped with four-wheel casters or a 600-mm rack, which are convenient for moving the generator on site.

Denyo will continue to develop products that cater to diverse needs.

TLG-8LSKE-D

3 Nishihatsu signs an agreement on establishment of new business facility with the Karatsu City government.

Nishihatsu Co., Ltd. (Karatsu City, Saga), a subsidiary manufacturing disaster relief generators, plans to build a new headquarters factory in Karatsu City. A signing ceremony for an agreement between Nishihatsu and the Karatsu City government on the establishment of a new business facility was held at Karatsu City Hall in August 2022.

During the ceremony, Mayor Tatsuro Mine of Karatsu City said, “Motivating people to work in Karatsu by promoting local industries is essential for the development of Karatsu City. I appreciate your support.” President Michio Nonaka of Nishihatsu expressed his determination, stating “We will continue to contribute to the region as a company based in Karastu.”

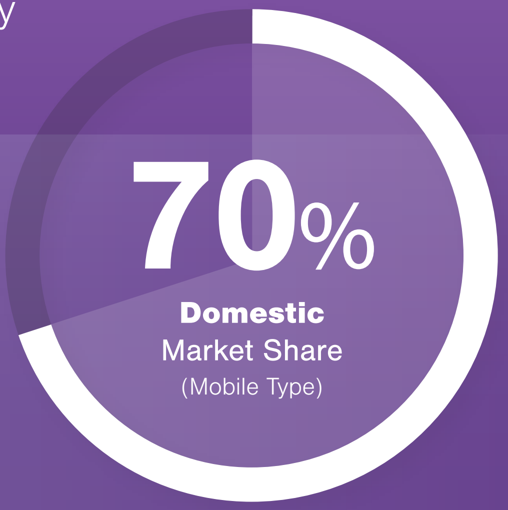
Demand for disaster relief generators has remained high due to the frequent occurrence of disasters in recent years. The new factory will feature higher production efficiency enabled by the layout of the factory and a greater production capacity so that products can be provided to even more customers. In addition, Nishihatsu will also provide a better workplace environment for its employees and contribute to the development of local industries.

Outline of the new headquarters factory
Location: Chichika, Karatsu City, Saga
Site area: 38,680 m^2
Building area: 10,726 m^2
Start of construction (plan): January 2023
Start of operation (plan): September 2024

Overview of Product Segment

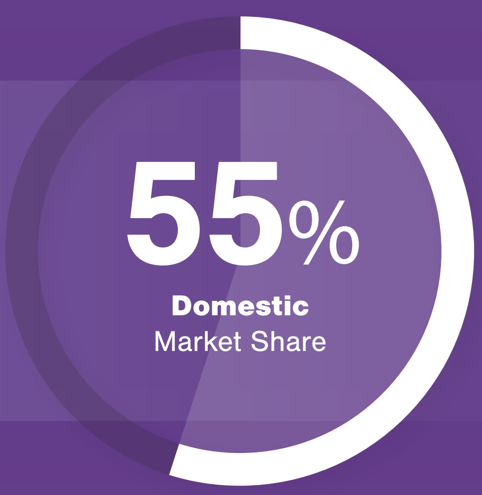
Business performance by product category and domestic market share

Engine Generators



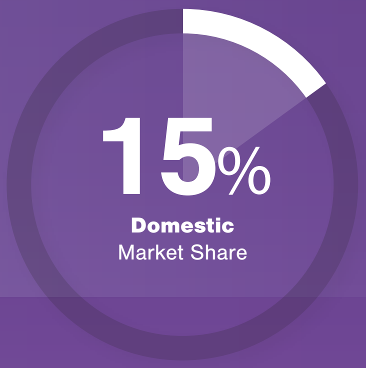
In the generator segment, among the products for the domestic market, shipments of emergency generators for disaster prevention equipment decreased, but shipments of portable generators, which are used mainly for construction work and events, remained steady. Regarding products for overseas markets, products for the United States and Asia continued to trend toward recovery. As a result, segment sales increased to ¥53,700 million (US$402,128 thousand), up 22.7% year on year.

Engine-driven



In the engine welders segment, sales decreased to ¥4,402 million (US$32,960 thousand), down 8.9% year on year. This mainly reflected the impact of supply chain problems on the production of some products, more than offsetting the resumption of product exhibitions which are major sales opportunities in various parts of Japan as a result of the easing of movement restrictions.

Compressors



In the compressors segment, sales were ¥727 million (US$5,446 thousand), up 0.0% year on year. This is attributed to an increase in shipments of engine compressors produced locally in the U.S., offsetting a decrease in shipments of engine compressors in Japan.

Other Products

In the other products segment, sales were ¥5,483 million (US$41,057 thousand), down 6.4% year on year. This reflected a decrease in sales of parts incidental to products which more than offset strong shipments of self-propelled lifters.

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

Denyo Co., Ltd.

and Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2023,
and Independent Auditor's Report

Financial Review

Business Environment and Results

During the fiscal year under review, the Japanese economy recovered modestly, in part because economic activity began to normalize due to the easing of COVID-19-related movement restrictions. Meanwhile, the future outlook for the global economy remained uncertain due to the impact of events such as monetary restraint and surging prices, as well as the rising geopolitical risks.

Regarding the business environment surrounding the Denyo Group, products for the construction market, including products for urban redevelopment projects and infrastructure-related construction, were strong in the domestic market. In overseas markets, demand remained strong in the United States market, and our performance recovered steadily in the Asia and Middle East markets as well, boosted by the depreciation of the yen and other factors. On the supply front, a parts shortage affected the production of some products, and persistently high raw materials prices caused manufacturing costs to rise.

In these conditions, the Denyo Group proactively ran booths at product exhibitions and sought to increase orders received in overseas markets. We also focused on ensuring stable supply, such as accommodating each other within the Group regarding production materials and supporting each others' production. As a result, net sales increased to ¥64,312 million (US$481,591 thousand), up 16.6% year on year. On the profit front, operating profit rose 33.4% year on year to ¥4,874 million (US$36,501 thousand), ordinary profit increased 28.6% year on year to ¥5,181 million (US$38,796 thousand), and profit attributable to owners of parent rose 32.0% year on year to ¥3,634 million (US$27,210 thousand). This was partly due to the reflection of increased costs in sales prices.

Segment Information

In the generator segment, among the products for the domestic market, shipments of emergency generators for disaster prevention equipment decreased, but shipments of portable generators, which are used mainly for construction work and events, remained steady. Regarding products for overseas markets, products for the United States and Asia continued to trend toward recovery. As a result, segment sales increased to ¥53,700 million (US$402,128 thousand), up 22.7% year on year.

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Information by geographical area is as follows.

Consolidated results in each segment are based on the results of the Company and its consolidated subsidiaries located in the specific region. Accordingly, consolidated results in the Japan segment are for the period from April 2022 to March 2023. Those in segments other than Japan are for January to December 2022 because the fiscal year end of overseas consolidated subsidiaries is December 31.

(Japan)

In Japan, net sales increased to ¥43,893 million (US$328,683 thousand), up 1.5% year on year. This reflected strong demand in our core rental market in Japan and the steady export of generators to the U.S. and Asian markets, more than offsetting the impact of the extension of construction periods in some construction projects, which caused the postponement of the delivery of emergency generators that are installed in buildings. However, segment profit decreased to ¥2,833 million (US$21,219 thousand), down 13.9% year on year, due in part to a rise in the cost to sales ratio that resulted from surging raw materials prices.

(United States)

In the U.S., sales increased to ¥15,882 million (US$118,930 thousand), up 82.9% year on year, and segment profit was ¥831 million (US$6,222 thousand), as compared to a segment loss of ¥112 million (US$840 thousand) in the previous fiscal year. This reflected the effect of the weaker yen, in addition to an increase in the shipments of generators to the rental market on the back of the demand that remained at a high level.

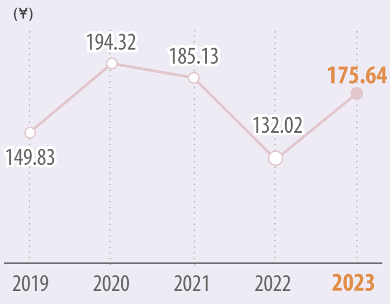
(Asia)

In Asia, demand for products for resource development and infrastructure development were trending toward recovery, mainly in the Southeast Asian market. A rise in the price competitiveness of products attributed to the weak yen also provided a boost. As a result, sales increased to ¥4,003 million (US$29,976 thousand), up 28.3% year on year, and segment profit rose to ¥939 million (US$7,029 thousand), up 91.8% year on year.

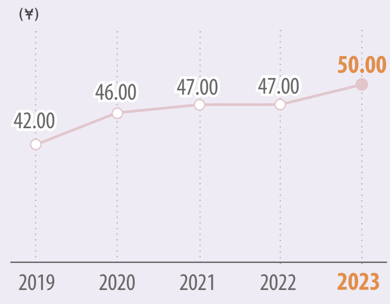
(Europe)

In Europe, shipments to the UK market, the main sales destination, recovered, resulting in a rise in sales to ¥534 million (US$4,002 thousand), up 294.2% year on year, and segment profit of ¥23 million (US$174 thousand) as compared to a segment loss of ¥14 million (US$103 thousand) in the previous fiscal year.

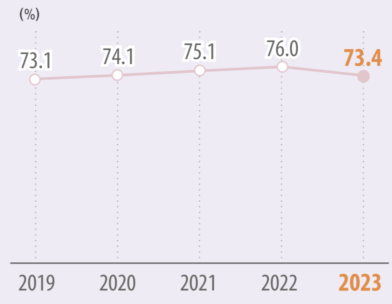
Net Income per Share



Cash Dividends per Share



Equity Ratio



Financial Position

(Assets)

Total assets at the end of the fiscal year under review were ¥89,744 million (US$672,041 thousand), an increase of ¥8,970 million (US$67,170 thousand) from the end of the previous fiscal year.

Current assets at the end of the fiscal year under review were ¥61,517 million (US$460,664 thousand), an increase of ¥4,645 million (US$34,783 thousand) from the end of the previous fiscal year. This was mainly due to an increase in accounts receivable - trade of ¥2,316 million (US$17,344 thousand) and a rise in raw materials and supplies of ¥3,017 million (US$22,590 thousand). Non-current assets at the end of the fiscal year under review were ¥28,227 million (US$211,377 thousand), an increase of ¥4,325 million (US$32,386 thousand) from the end of the previous fiscal year. This mainly reflected an increase in land of ¥1,428 million (US$10,693 thousand) and a rise in construction in progress of ¥1,324 million (US$9,916 thousand), which resulted chiefly from investment in construction of new headquarters and factory of Nishihatsu Co., Ltd., as well as an increase in investment securities of ¥577 million (US$4,318 thousand) attributed mainly to the revaluation of stockholdings.

(Liabilities)

Total liabilities at the end of the fiscal year under review were ¥21,085 million (US$157,896 thousand), increasing ¥4,072 million (US$30,490 thousand) from the end of the previous fiscal year. Current liabilities at the end of the fiscal year under review were ¥17,700 million (US$132,546 thousand), an increase of ¥3,431 million (US$25,690 thousand) from the end of the previous fiscal year. This was mainly due to an increase in trade notes and accounts payable - trade of ¥1,020 million (US$7,640 thousand) and an increase in short-term borrowings of ¥1,673 million (US$12,526 thousand) at Nishihatsu Co., Ltd. Non-current liabilities at the end of the fiscal year under review were ¥3,385 million (US$25,350 thousand), up ¥641 million (US$4,800 thousand) from the end of the previous fiscal year. This mainly reflected a ¥508 million (US$3,805 thousand) rise in long-term borrowings at Nishihatsu Co., Ltd.

(Net assets)

Net assets at the end of the fiscal year under review were ¥68,659 million (US$514,145 thousand), an increase of ¥4,898 million (US$36,680 thousand) from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥3,634 million (US$27,210 thousand), a ¥2,004 million (US$15,006 thousand) rise in other comprehensive income, and cash dividends paid of ¥1,034 million (US$7,741 thousand).

Cash Flows

Consolidated cash and cash equivalents (hereinafter, cash) were ¥22,331 million (US$167,223 thousand) at the end of the fiscal year under review, decreasing ¥1,028 million (US$7,697 thousand) from the end of the previous fiscal year, despite the posting of profit before income taxes of ¥5,218 million (US$39,076 thousand) which was more than offset by an increase in trade accounts receivable and inventories and the purchase of property, plant and equipment.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,031 million (US$15,212 thousand) (cash provided of ¥2,696 million (US$20,187 thousand) in the previous fiscal year). This was largely due to profit before income taxes of ¥5,218 million (US$39,076 thousand), depreciation of ¥1,266 million (US$9,484 thousand), and income taxes paid of ¥1,407 million (US$10,539 thousand).

(Cash flows from investing activities)

Net cash used in investing activities was ¥4,117 million (US$30,826 thousand) (cash used of ¥819 million (US$6,136 thousand) in the previous fiscal year). This largely reflected the purchase of property, plant and equipment of ¥4,065 million (US$30,438 thousand) and proceeds from sales of investment securities of ¥70 million (US$522 thousand).

(Cash flows from financing activities)

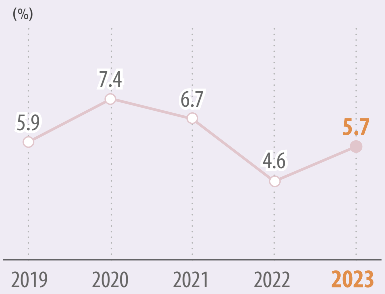
Net cash provided by financing activities was ¥938 million (US$7,021 thousand) (cash used of ¥1,644 million (US$12,309 thousand) in the previous fiscal year). This was mainly due to an increase in short-term borrowings of ¥1,600 million (US$11,981 thousand) and dividends paid of ¥1,034 million (US$7,741 thousand).

Dividends

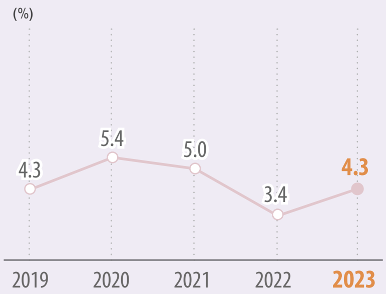
Denyo recognizes the importance of making further efforts to return profits to shareholders while also investing in equipment and research & development to enhance and maintain product competitiveness and striving to improve profitability and strengthen its financial structure. Our policy is to distribute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

Regarding dividends for the fiscal year under review, we issued an interim dividend of ¥23 (US$0.17) per share and decided to pay an ordinary year-end dividend of ¥27 (US$0.20) per share based on the policy above. As a result, dividends for the full year came to ¥50 (US$0.37). As a consequence, the dividend payout ratio (consolidated) for the fiscal year under review came to 28.5%.

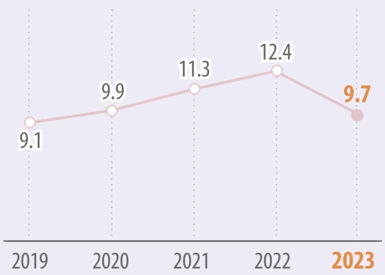
Return on Average Shareholders' Equity



Return on Average Assets (ROA)



Price Earnings Ratio



Consolidated Balance Sheet

Denyo Co., Ltd. and Subsidiaries · Year Ended March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥22,331	¥23,359	$167,223
Receivables (Note 15):			
Trade notes	3,021	4,102	22,623
Electronically recorded monetary claims—operating	3,643	3,335	27,281
Trade accounts	13,308	11,425	99,656
Associated companies (Note 21)	2,086	1,403	15,621
Other	449	116	3,362
Allowance for doubtful receivables	(5)	(5)	(36)
Inventories (Note 5)	16,414	12,861	122,911
Prepaid expenses and other current assets	270	276	2,023
Total current assets	61,517	56,872	460,664
PROPERTY, PLANT AND EQUIPMENT:			
Land	6,495	5,067	48,635
Buildings and structures	16,001	14,120	119,824
Machinery and equipment (Note 14)	9,432	8,593	70,632
Furniture and fixtures	2,100	2,129	15,722
Construction in progress	1,644	320	12,311
Total	35,672	30,229	267,124
Accumulated depreciation	(17,394)	(15,464)	(130,250)
Net property, plant and equipment	18,278	14,765	136,874
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	7,597	7,203	56,889
Investments in associated companies (Note 6)	1,072	889	8,028
Deferred tax assets (Note 11)	287	226	2,149
Other assets (Note 14)	993	820	7,437
Total investments and other assets	9,949	9,138	74,503
TOTAL	¥89,744	¥80,775	$672,041

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 15)	¥1,810	¥210	$13,554
Current portion of long-term debt (Notes 7, 14 and 15)	100	20	751
Payables (Note 15):			
Trade notes	800	803	5,990
Electronically recorded obligations—operating	2,690	2,554	20,145
Trade accounts	9,245	8,220	69,228
Associated companies	4	3	28
Other	281	207	2,104
Accrued income taxes (Note 11)	672	405	5,031
Accrued expenses	1,308	1,263	9,795
Provision for product warranties	99	98	741
Other current liabilities	691	487	5,179
Total current liabilities	17,700	14,270	132,546
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 14 and 15)	1,694	1,141	12,684
Liability for retirement benefits (Note 9)	513	458	3,843
Deferred tax liabilities (Note 11)	1,168	1,113	8,744
Other long-term liabilities	10	32	79
Total long-term liabilities	3,385	2,744	25,350
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 16 and 17)			
EQUITY (Note 10):			
Common stock—authorized, 97,811,000 shares; issued, 22,859,660 shares in 2023 and 22,859,660 shares in 2022	1,955	1,955	14,639
Capital surplus	1,789	1,789	13,394
Retained earnings	59,101	56,501	442,569
Treasury stock—at cost, 2,226,890 shares in 2023 and 2,140,078 shares in 2022 (Note 3)	(2,720)	(2,598)	(20,372)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,500	3,209	26,210
Foreign currency translation adjustments	2,321	591	17,389
Defined retirement benefit plans	(52)	(34)	(387)
Total	65,894	61,413	493,442
Noncontrolling interests	2,765	2,348	20,703
Total equity	68,659	63,761	514,145
TOTAL	¥89,744	¥80,775	$672,041

Consolidated Statement of Income and Comprehensive Income

Denyo Co., Ltd. and Subsidiaries · Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET SALES (Notes 12, 20 and 21)	¥64,312	¥55,168	$481,591
COST OF SALES	50,677	43,449	379,488
Gross profit	13,635	11,719	102,103
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	8,761	8,065	65,602
Operating income	4,874	3,654	36,501
OTHER INCOME (EXPENSES):			
Interest and dividend income	288	226	2,154
Interest expense	(51)	(38)	(383)
Gain on sale of property, plant and equipment	2	4	17
Loss on sale or disposal of property, plant and equipment	(4)	(43)	(29)
Loss from remittance fraud in foreign subsidiary		(102)	
Foreign exchange (loss) gain	(196)	33	(1,469)
Equity in earnings of associated companies	189	42	1,413
Rent income	80	82	600
Commitment fee	(31)	(7)	(230)
Gain on sale of investment securities	39	29	293
Other—net	28	36	209
Other income—net	344	262	2,575
INCOME BEFORE INCOME TAXES	5,218	3,916	39,076
INCOME TAXES (Note 11):			
Current	1,658	1,230	12,414
Deferred	(150)	(36)	(1,122)
Total income taxes	1,508	1,194	11,292
NET INCOME	3,710	2,722	27,784
NET INCOME ATTRIBUTABLE TO:			
Owners of the parent	3,634	2,753	27,210
Noncontrolling interests	76	(31)	574
NET INCOME—(Forward)	¥3,710	¥2,722	$27,784
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized (loss) gain on available-for-sale securities	289	(434)	2,165
Foreign currency translation adjustments	2,073	1,219	15,520
Defined retirement benefit plans	(18)	(23)	(133)
Share of other comprehensive (loss) income in associates	2	(0)	11
Total other comprehensive income	2,346	762	17,563
COMPREHENSIVE INCOME	¥6,056	¥3,484	$45,347
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥5,638	¥3,304	$42,216
Noncontrolling interests	418	180	3,131
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u and 19):			
Basic net income	¥175.64	¥132.02	$1.32
Cash dividends applicable to the year	50.00	47.00	0.37

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Denyo Co., Ltd. and Subsidiaries · Year Ended March 31, 2023

	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, 2021	20,856	1,955	1,779	54,766	(2,351)	3,643	(416)	(11)	59,365	2,199	61,564
Net income attributable to owners of the parent				2,753					2,753		2,753
Cash dividends, ¥47 per share				(1,018)					(1,018)		(1,018)
Purchase of treasury stock	(150)				(254)				(254)		(254)
Selling of treasury stock	14				17				17		17
Disposal of treasury shares to stock benefit trust			10		(10)						
Net change in the year						(434)	1,007	(23)	550	149	699
BALANCE, MARCH 31, 2022	20,720	¥1,955	¥1,789	¥56,501	¥(2,598)	¥3,209	¥591	¥(34)	¥61,413	¥2,348	¥63,761
Net income attributable to owners of the parent				3,634					3,634		3,634
Cash dividends, ¥48 per share				(1,034)					(1,034)		(1,034)
Purchase of treasury stock	(100)				(136)				(136)		(136)
Selling of treasury stock	13				14				14		14
Disposal of treasury shares to stock benefit trust											
Net change in the year						291	1,730	(18)	2,003	417	2,420
BALANCE, MARCH 31, 2023	20,633	¥1,955	¥1,789	¥59,101	¥(2,720)	¥3,500	¥2,321	¥(52)	¥65,894	¥2,765	¥68,659

		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, 2022		$14,639	$13,394	$423,100	$(19,458)	$24,034	$4,426	$(253)	$459,882	$17,583	$477,465
Net income attributable to owners of the parent				27,210					27,210		27,210
Cash dividends, $0.36 per share				(7,741)					(7,741)		(7,741)
Purchase of treasury stock					(1,021)				(1,021)		(1,021)
Selling of treasury stock					107				107		107
Disposal of treasury shares to stock benefit trust											
Net change in the year						2,176	12,963	(134)	15,005	3,120	18,125
BALANCE, MARCH 31, 2023		$14,639	$13,394	$442,569	$(20,372)	$26,210	$17,389	$(387)	$493,442	$20,703	$514,145

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Denyo Co., Ltd. and Subsidiaries · Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥5,218	¥3,916	$39,076
Adjustments for:			
Income taxes paid	(1,407)	(1,800)	(10,539)
Depreciation and amortization	1,266	1,361	9,484
Loss on sale or disposal of property, plant and equipment—net	2	39	13
Gain on sale of investment securities	(39)	(29)	(293)
Equity in earnings of associated companies	(189)	(42)	(1,413)
Changes in assets and liabilities, net of effects:			
(Increase) decrease in trade notes and accounts receivable	(1,215)	933	(9,097)
Increase in inventories	(2,703)	(2,119)	(20,240)
Decrease in interest and dividends receivable	10	12	76
Increase in trade notes and accounts payable	591	534	4,428
Increase (decrease) in provision for allowance for doubtful accounts	0	(1)	2
Increase in liability for retirement benefits	19	8	146
Other—net	478	(116)	3,569
Total adjustments	(3,187)	(1,220)	(23,864)
Net cash provided by operating activities	2,031	2,696	15,212
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(4,065)	(800)	(30,438)
Purchases of investment securities	(3)	(3)	(24)
Proceeds from sales of investment securities	70	82	522
Investment in loans receivable	(1)	(1)	(5)
Collections of loans receivable	1	4	9
Other—net	(119)	(101)	(890)
Net cash used in investing activities	(4,117)	(819)	(30,826)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans—net	1,600	(0)	11,981
Proceeds from long-term debt	509	783	3,812
Repayments of long-term debt	(6)	(1,107)	(45)
Purchases of treasury stock	(136)	(255)	(1,021)
Dividends paid	(1,034)	(1,018)	(7,741)
Other—net	5	(47)	35
Net cash used in financing activities	938	(1,644)	7,021
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	120	212	896
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥(1,028)	¥445	$(7,697)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,359	22,914	174,920
CASH AND CASH EQUIVALENTS, END OF YEAR	¥22,331	¥23,359	$167,223

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Denyo Co., Ltd. and Subsidiaries · Year Ended March 31, 2023

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 ¥133.54 to $1, the approximate rate of exchange at March 31, 2023. 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, 2023, include the accounts of the Company and its 11 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”).

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 two other subsidiaries 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; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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.

Effective April 1, 2021, the Company applied ASBJ Statement No. 30, “Accounting Standard for Fair Value Measurement” and ASBJ Guidance No. 31, “Implementation Guidance on Accounting Standard for Fair Value Measurement,” and revised related ASBJ Statements and ASBJ Guidance (the “New Accounting Standards”). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost. The Company applied the New Accounting Standards prospectively. As a result, there is no impact on the financial statements.

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 50 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, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

m. ***Revenue Recognition***—The Group manufactures and sells industrial electrical machineries, such as engine-driven generators, engine-driven welders and engine-driven compressors, sells parts related to these products, and provides installation services. The Group identifies its performance obligations as the provision of products or services that meet the specifications and quality promised to customers. The sales contracts with customers include the Group's obligation to guarantee that the products continually conform to the agreed specifications within the certain warranty period after the sales, but do not include the guarantee as additional services to customers. So the provision for product warranties is recorded to provide for future costs related to these warranties.

Revenue from the sales of products and parts is recognized at the time the products and parts are delivered to customers because the Group determines that customers obtain control of the products and parts, and the performance obligations are satisfied at the time of delivery of the products and parts based on the contract terms. However, for sales in Japan, a period between shipping and the transfer of control is typical in most cases, revenue is mainly recognized at the time of shipping.

Revenue from the services such as installation works is mainly recognized at the time of inspection by customers because the Group determines that the performance obligations are satisfied at the time of completion of services.

To determine a transaction price, variable consideration such as discount, rebate and incentive payment is deducted from consideration promised in the contract with customers. The Group usually receives consideration within one year after the performance obligations are satisfied according to payment terms separately set forth, which does not include a significant financing component.

For subcontract processing transactions with supply of materials for value that are repurchase agreements, the outstanding supplies at recipient of supplies is recognized as inventories. At the same time, the amount equivalent to the outstanding supplies at recipient of supplies is recognized as "Liabilities for subcontract processing transactions with supply of materials for value."

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

o. ***Leases***—In March 2007, the ASBJ issued ASBJ Statement

No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and 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.

p. ***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.

q. ***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.

r. ***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.

s. ***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.

t. ***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.

u. ***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.

v. ***New Accounting Pronouncements—***Accounting Standard for Corporate, Inhabitant and Enterprise Taxes (ASBJ Statement No. 27, October 28, 2022)

—Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)

—Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

In February 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Accounting for Tax Effect Accounting" and others ("ASBJ Statement No. 28, etc."), and completed the transfer of practical guidelines on tax effect accounting from Japanese Institute of Certified Public Accountants to ASBJ, and in the course of its deliberations, the following two issues, which had been to be discussed again after the release of ASBJ Statement No. 28, etc., were discussed and released.

- Classification of tax expenses (Taxation on Other Comprehensive Income)
- Tax effect on sales of shares of subsidiaries or affiliates when the Group Taxation Regime is applied

(2) Scheduled date of adoption

The standards will be adopted from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of adopting the accounting standards

The Company is in the process of measuring the effect of applying the standards in future applicable periods.

3. STOCK GRANTING TRUST (“-JESOP” 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 stock compensation plan for directors called the “Board Benefit Trust (BBT).” 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
	2023	2022	2023
Treasury stock	¥486	¥500	$3,638
(Number of shares (thousands of shares))	(756)	(769)	

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Non-current:			
Marketable equity securities	¥6,724	¥6,310	$50,353
Nonmarketable equity securities	873	893	6,536
Total	¥7,597	¥7,203	$56,889

The cost and aggregate fair values of marketable and investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—				
Equity securities	¥1,800	¥4,924		¥6,724
March 31, 2022				
Securities classified as available-for-sale—				
Equity securities	¥1,807	¥4,509	¥6	¥6,310

	Thousands of U.S. Dollars			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—				
Equity securities	$13,481	$36,872		$50,353

The proceeds, realized gains and realized losses of the available for sale securities which were sold during the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2023	Proceeds	Realized Gains	Realized Loss	Proceeds	Realized Gains	Realized Loss
Available-for-sale—Equity securities	¥70	¥39		$522	$293	
March 31, 2022						
Available-for-sale—Equity securities	¥82	¥29				

5. INVENTORIES

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Finished products and merchandise	¥5,244	¥5,087	$39,267
Work in process	2,103	1,724	15,749
Raw materials and supplies	9,067	6,050	67,895
Total	¥16,414	¥12,861	$122,911

6. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments—New Japan Machinery Corporation	¥1,072	¥889	$8,028
Total	¥1,072	¥889	$8,028

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

Short-term bank loans at March 31, 2023 and 2022, consisted of bank overdrafts. The weighted-average interest rates applicable to the short-term bank loans were 0.4% and 0.4% at March 31, 2023 and 2022, respectively.

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unsecured loans from banks, with interest rate at 4.2% and 1.0% (2023 and 2022)	¥1,438	¥857	$10,766
Lease obligations	356	304	2,669
Total	1,794	1,161	13,435
Less current portion	(100)	(20)	(751)
Long-term debt, less current portion	¥1,694	¥1,141	$12,684

Annual maturities of long-term debt at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥100	$751
2025	100	751
2026	1,028	7,701
2027	93	692
2028	91	681
2029 and thereafter	382	2,859
Total	¥1,794	$13,435

8. COMMITMENT LINE CONTRACTS

In order to raise funds efficiently, the Company has entered into a commitment line contract with four financial institutions, of which Mizuho Bank, Ltd. is the arranger. The contract provided the Company with a commitment line of ¥3,000 million ($22,465 thousand) as of March 31, 2023. The Company had no borrowings outstanding under the agreement as of March 31, 2023.

9. RETIREMENT AND PENSION PLANS

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

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

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥2,712	¥2,692	$20,306
Current service cost	188	182	1,409
Interest cost	26	25	198
Actuarial (gains) losses	(15)	37	(108)
Benefits paid	(163)	(240)	(1,223)
Others	10	16	73
Balance at end of year	¥2,758	¥2,712	$20,655

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥2,424	¥2,451	$18.152
Expected return on plan assets	27	28	203
Actuarial losses	(52)	(33)	(388)
Contributions from the employer	186	208	1,393
Benefits paid	(158)	(231)	(1,185)
Others	0	1	1
Balance at end of year	¥2,427	¥2,424	$18,176

(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
	2023	2022	2023
Funded defined benefit obligation	¥2,681	¥2,634	$20,074
Plan assets	2,427	2,424	18,176
Total	254	210	1,898
Unfunded defined benefit obligation	77	77	581
Liability for stock granting retirement	182	171	1,364
Net liability arising from defined benefit obligation	¥513	¥458	$3,843

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥513	¥458	$3,843
Net liability arising from defined benefit obligation	¥513	¥458	$3,843

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥188	¥182	$1,409
Interest cost	26	25	198
Expected return on plan assets	(27)	(28)	(203)
Recognized actuarial losses	12	36	88
Stock granting cost	39	50	290
Net periodic benefit costs	¥238	¥265	$1,782

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial gains	¥(26)	¥(33)	$(192)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial gains	¥(74)	¥(49)	$(558)

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
General account managed by a life insurance company	97.0%	97.2%
Other	3.0	2.8
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, 2023 and 2022, are set forth as follows:

	2023	2022
Discount rate	Mainly 0.60%	Mainly 0.60%
Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
Expected rate of future salary increase	Mainly 1.90%	Mainly 1.90%

10. EQUITY

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

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 29, 2021. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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

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

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

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

c. *Treasury Stock and Treasury Stock Acquisition Rights*

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Accrued bonuses	¥204	¥197	$1,524
Provision for product warranties	33	35	248
Accrued enterprises taxes	49	43	366
Unrealized gain on sale of inventory	157	121	1,175
Unrealized gain on sale of property	17	19	128
Liability for retirement benefits	122	113	911
Loss on revaluation of investment securities	74	77	556
Tax loss carryforwards	21	32	154
Other	327	251	2,452
Less valuation allowance	(89)	(92)	(665)
Total	915	796	6,849
Deferred tax liabilities:			
Reserve for deferred gains on sales of property	347	346	2,595
Unrealized gain on available-for-sale securities	1,437	1,305	10,760
Other	12	32	89
Total	1,796	1,683	13,444
Net deferred tax liabilities	¥(881)	¥(887)	$(6,595)

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, 2023, is as follows:

	2023
Normal effective statutory tax rate	30.6%
Expenses not deductible for income tax purposes	2.1
Income not recognizable for income tax purposes	(0.3)
Per capita portion of inhabitants' taxes	0.6
Tax credits	(1.1)
Lower income tax rates applicable to income in certain foreign countries	(1.1)
Valuation allowance	(0.1)
Other—net	(1.8)
Actual effective tax rate	28.9%

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, 2022, is less than 5% of the normal effective statutory tax rate, a reconciliation is omitted.

At March 31, 2023, some subsidiaries have tax loss carryforwards aggregating approximately ¥63 million ($471 thousand) which are available to be offset against taxable income of such subsidiaries in future years.

12. REVENUE

(1) Disaggregation of Revenues

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2023 and 2022, were as follows:

(a) Sales results by product

	Millions of Yen					Thousands of U.S. Dollars				
2023	Generators	Welders	Compressors	Others	Total	Generators	Welders	Compressors	Others	Total
Products and services	¥53,700	¥4,402	¥727	¥5,483	¥64,312	$402,128	$32,960	$5,446	$41,057	$481.591
Revenues from contracts with customers	53,700	4,402	727	5,483	64,312	402,128	32,960	5,446	41,057	481,591
Other revenue										
Total	¥53,700	¥4,402	¥727	¥5,483	¥64,312	$402,128	$32,960	$5,446	$41,057	$481,591
2022										
Products and services	¥43,754	¥4,830	¥727	¥5,857	¥55,168					
Revenues from contracts with customers	43,754	4,830	727	5,857	55,168					
Other revenue										
Total	¥43,754	¥4,830	¥727	¥5,857	¥55,168					

(b) Sales results by region

	Millions of Yen					Thousands of U.S. Dollars				
2023	Japan	North and Central America	Asia	Other Areas	Total	Japan	North and Central America	Asia	Other Areas	Total
Products and services	¥34,245	¥21,617	¥5,903	¥2,547	¥64,312	$256,438	$161,879	$44,199	$19,075	$481,591
Revenues from contracts with customers	34,245	21,617	5,903	2,547	64,312	256,438	161,879	44,199	19,075	481,591
Other revenue										
Total	¥34,245	¥21,617	¥5,903	¥2,547	¥64,312	$256,438	$161,879	$44,199	$19,075	$481,591
2022										
Products and services	¥34,632	¥13,053	¥4,596	¥2,887	¥55,168					
Revenues from contracts with customers	34,632	13,053	4,596	2,887	55,168					
Other revenue										
Total	¥34,632	¥13,053	¥4,596	¥2,887	¥55,168					

(2) Basic Information to Understand Revenues from Contracts with Customers

Basic information to understand revenues from contracts with customers is as stated in Note 2.m.

(3) Contract Balances

Contract liabilities consist mainly of advances received from customers before the performance obligations are satisfied and are reversed according to the recognition of revenue.

Contract liabilities at the beginning and end of the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Contract liabilities:			
Balance at beginning of year	¥91	¥100	$681
Balance at end of year	274	91	2,051

Of revenue recognized during the current fiscal year, the amounts included in the balance at beginning of year were ¥83 million ($622 thousand) and ¥91 million for the years ended March 31, 2023 and 2022.

(4) Transaction Prices Allocated to Remaining Performance Obligations

There were no significant contracts having an original expected duration of over one year at end of current fiscal year. For contracts with an initially anticipated contract period within one year, description of transaction price allocated to remaining performance obligations of the Group has been omitted applying a practical expedient. Moreover, there were not any material consideration from contracts with customers which was not included in the transaction price.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥656 million ($4,909 thousand) and ¥608 million for the years ended March 31, 2023 and 2022, respectively.

14. LEASES

The Group leases certain vehicles and other assets under finance leases. Also, some foreign subsidiaries leases lands or other assets under operating leases which are included in non-current other assets in the consolidated balance sheet as right of use assets applying International Financial Reporting Standards (IFRS) 16 or Accounting Standards Codification (ASC) 842.

Lease obligations were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥27	¥20	$206
Due after one year	329	284	2,463
Total	¥356	¥304	$2,669

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial assets such as commercial paper. 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 six and eleven years after the balance sheet date. A part of such bank loans is exposed to market risks from changes in variable interest rates.

Derivatives mainly include interest rate swaps, commodity swaps, forward foreign currency contracts, which are used as necessary 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 based on internal guidelines, which include monitoring of payment term 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 are used for some foreign currency trade receivables and advances.

The Company keeps its borrowings within acceptable limits and uses derivatives of interest rate swaps as necessary to manage exposure to market risks from changes in interest rates of loan payables. And the Company uses commodity swaps 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 as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, receivables (trade notes, electronically recorded monetary claims-operating and trade accounts), payables (trade notes, electronically recorded obligations-operating and trade accounts) and short-term bank loans are not disclosed because their maturities are short and the carrying values approximate fair value. Also, please see Note 16 for details of the fair values of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥6,724	¥6,724	
Total	¥6,724	¥6,724	
Long-term debt	¥1,365	¥1,365	
Total	¥1,365	¥1,365	
March 31, 2022			
Investment securities	¥6,310	¥6,310	
Total	¥6,310	¥6,310	
Long-term debt	¥857	¥857	
Total	¥857	¥857	

	Thousands of U.S. Dollars		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	$50,353	$50,353	
Total	$50,353	$50,353	
Long-term debt	$10,222	$10,222	
Total	$10,222	$10,222	

(b) Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unlisted equity instruments	¥873	¥893	$6,536

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

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2023	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	¥21,331		$159,735	
Receivables	22,058		165,181	
Total	¥43,389		$324,916	
March 31, 2022				
Cash and cash equivalents	¥22,359			
Receivables	20,265			
Total	¥42,624			

Please see Note 7 for annual maturities of longterm debt and Note 14 for lease obligations.

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2023	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable and investment securities—								
Investment securities	¥6,724			¥6,724	$50,353			$50,353
Total assets	¥6,724			¥6,724	$50,353			$50,353

	Millions of Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Marketable and investment securities—				
Investment securities	¥6,310			¥6,310
Total assets	¥6,310			¥6,310

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2023	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable and investment securities—								
Commercial paper		¥1,000		¥1,000		$7,488		$7,488
Total assets		¥1,000		¥1,000		$7,488		$7,488
Long-term debt		¥1,365		¥1,365		$10,222		$10,222
Total liabilities		¥1,365		¥1,365		$10,222		$10,222

	Millions of Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Marketable and investment securities—				
Commercial paper		¥1,000		¥1,000
Total assets		¥1,000		¥1,000
Long-term debt		¥857		¥857
Total liabilities		¥857		¥857

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities

The fair values of commercial paper approximate carrying amounts because of its short maturities. Therefore, the carrying amounts are regarded as the fair values. The fair values of investment securities are measured at the quoted market prices. Since listed investment securities are traded in active markets, the fair values are categorized as Level 1. The fair values of other securities are classified as Level 2.

Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount, and are classified as Level 2. However, the fair values of long-term debt on floating rate approximate carrying amounts because it reflects market interest rates in short times. Therefore, the carrying amounts are regarded as the fair values.

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, 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

There are no applicable transactions.

Derivative Transactions to Which Hedge Accounting Is Applied

There are no applicable transactions.

17. CONTINGENT LIABILITIES

At March 31, 2023, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Export trade bill discounted	¥346	$2,592

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income, including reclassification adjustments and tax effects for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥436	¥(617)	$3,261
Reclassification adjustments to profit or loss	(15)	(29)	(109)
Amount before income tax effect	421	(646)	3,152
Income tax effect	(132)	212	(987)
Total	¥289	¥(434)	$2,165
Foreign currency translation adjustments—			
Adjustments arising during the year	¥2,073	¥1,219	$15,520
Total	¥2,073	¥1,219	$15,520
Defined retirement benefit plans:			
Adjustments arising during the year	¥(40)	¥(49)	$(302)
Reclassification adjustments to profit or loss	14	16	110
Amount before income tax effect	(26)	(33)	(192)
Income tax effect	8	10	59
Total	¥(18)	¥(23)	$(133)
Share of other comprehensive income (loss) in associates—(Losses) gains arising during the year	¥2	¥(0)	$11
Total	¥2	¥(0)	$11
Total other comprehensive income	¥2,346	¥762	$17,563

19. NET INCOME PER SHARE

Basis for the computation of net income per share ("EPS") for the years ended March 31, 2023 and 2022, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2023	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥3,634	20,687	¥175.64	$1.32
Year Ended March 31, 2022				
Basic EPS—Net income available to common shareholders	¥2,753	20,853	¥132.02	$1.08

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 (763 thousand shares in 2023 and 761 thousand shares in 2022) 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						
	2023						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥43,893	¥15,882	¥4,003	¥534	¥64,312		¥64,312
Intersegment sales or transfers	6,075	479	6,146	4	12,704	¥(12,704)	
Total	¥49,968	¥16,361	¥10,149	¥538	¥77,016	¥(12,704)	¥64,312
Segment profit (loss)	¥2,833	¥831	¥939	¥23	¥4,626	¥248	¥4,874
Segment assets	72,575	10,687	12,449	659	96,370	(6,626)	89,744
Other:							
Depreciation and amortization	732	262	272	0	1,266		1,266
Investments in associated companies	1,072				1,072		1,072
Increase in property, plant and equipment and intangible assets	4,109	15	89		4,213		4,213

	Millions of Yen						
	2022						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥43,228	¥8,685	¥3,120	¥135	¥55,168		¥55,168
Intersegment sales or transfers	4,312	312	4,497	5	9,126	¥(9,126)	
Total	¥47,540	¥8,997	¥7,617	¥140	¥64,294	¥(9,126)	¥55,168
Segment profit	¥3,290	¥(112)	¥489	¥(14)	¥3,653	¥1	¥3,654
Segment assets	67,414	7,805	10,926	476	86,621	(5,846)	80,775
Other:							
Depreciation and amortization	840	237	284	0	1,361		1,361
Investments in associated companies	889				889		889
Increase in property, plant and equipment and intangible assets	796	15	28		839		839

	Thousands of U.S. Dollars						
	2023						
	Reportable Segment						
	Japan	United States of America	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$328,683	$118,930	$29,976	$4,002	$481,591		$481,591
Intersegment sales or transfers	45,493	3,588	46,026	30	95,137	$(95,137)	
Total	$374,176	$122,518	$76,002	$4,032	$576,728	$(95,137)	$481,591
Segment profit (loss)	$21,219	$6,222	$7,029	$174	$34,644	$1,857	$36,501
Segment assets	543,472	80,030	93,220	4,937	721,659	(49,618)	672,041
Other:							
Depreciation and amortization	5,484	1,962	2,037	1	9,484		9,484
Investments in associated companies	8,028				8,028		8,028
Increase in property, plant and equipment and intangible assets	30,773	109	670		31,552		31,552

Related Information

(1) Information about Products and Services

Information about products and services for the years ended March 31, 2023 and 2022, 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 Major Customers

Sales to major customers for the years ended March 31, 2023 and 2022, are summarized as follows:

Name of Customers	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023	Related Segment
Multiquip Inc.	¥15,882	¥8,685	$118,930	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, 2023 and 2022, and related balances at March 31, 2023 and 2022, were mainly as follows:

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Transactions—Sales	¥2,710	¥2,085	$20,295
Balances:			
Trade accounts receivable	¥862	¥429	$6,457
Electronically recorded monetary claims—operating	1,210	958	9,064

22. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Company's Board of Directors' meeting held on May 16, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥27 ($0.20) per share	¥579	$4,334

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Company Data

Company outline (As of March 31, 2023)

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.$ 14,638,561)
Authorized Shares	97,811,000
Issued Shares	22,859,660
Shareholders	7,472
Financial Year	April 1 to March 31
Employees	593 (1,381 consolidated)
Branch and Sales Offices	22

Directors, Audit Supervisory Board Members (As of June 29, 2023)

Representative Director, Chairman	**Shoichi Shiratori**	
President	**Takanori Yoshinaga**	
Director, Managing Executive Officer	**Kensaku Moriyama**	Chief Executive, Sales Division
Director, Managing Executive Officer	**Masao Yamada**	Chief Executive, Development Division, Responsible for Production Division, Overseas Manufacturing Subsidiary
Director, Managing Executive Officer	**Makoto Tanabe**	Chief Executive, Administration Division
Director, Senior Executive Officer	**Kenichi Otomo**	Deputy Chief Executive Sales Division, Head of International Sales Unit, General Manager, International Sales Department 1 Responsible for Overseas Sales Subsidiary
Outside Director	**Yoshio Takeyama**	
Director, Audit & Supervisory Committee Member	**Toru Hiroi**	
Director, Audit & Supervisory Committee Member	**Kazuyoshi Kubo**	
Ouside Director, Audit & Supervisory Committee Member	**Keiko Yamagami**	
Ouside Director, Audit & Supervisory Committee Member	**Masako Natori**	
Ouside Director, Audit & Supervisory Committee Member	**Makoto Koto**	

Executive Officers

Senior Executive Officer	**Yukio Nunogami**	General Manager, West Japan Sales Department Sales Division
Senior Executive Officer	**Masakazu Minato**	Head of Domestic Sales Unit, General Manager, East Japan Sales Department Sales Division
Senior Executive Officer	**Noboru Chosei**	Chief Executive Quality Management Division
Executive Officer	**Shoichi Fujimoto**	General Manager, Engineering Department Development Division
Executive Officer	**Toshiki Miyamoto**	Chief Executive Production Division
Executive Officer	**Shoichiro Fujimoto**	General Manager Planning & Coordination Office
Executive Officer	**Hirokazu Tsukasaki**	General Manager, Manufacuturing Department Production Division
Executive Officer	**Kenjiro Shirai**	General Manager, Finance Department Administration Division
Executive Officer	**Koji Ikeda**	Deputy General Manager, East Japan Sales Department Sales Division
Executive Officer	**Yoshihisa Furuta**	Director of Denyo Kosan Co., Ltd.
Executive Officer	**Takatoshi Ikeda**	President of Denyo Manufacturing Corporation
Executive Officer	**Junichiro Higaki**	General Manager, Quality Management Department Quality Management Division
Executive Officer	**Takashi Ebihara**	Deputy General Manager, West Japan Sales Department Sales 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	Self-propelled Lifters Construction-related Machinery Repair Parts

Plants and R&D Center and Service Center

Fukui Plant	Wakasa-cho, Fukui Prefecture
Shiga Plant	Konan, Shiga Prefecture
Laboratory & Training Center	Sakado, Saitama Prefecture
Service Center Kanto	Sakura, Chiba 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

Denyo Trading Vietnam Co., Ltd.
Room 606.03, 6th Floor, Indochina Plaza Hanoi Tower, No. 241 Xuan Thuy Street,
Dich Vong Hau Ward, Cau Giay District, Hanoi City, Vietnam
Paid-in Capital: US$ 900 thousand
Business: Services and sales of industrial electrical machinery and repair parts

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

Investor Information

(As of March 31, 2023)

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 1,422,361 shares of Company's own stock)
Stock Listing	Tokyo Stock Exchange, Prime Section (Code: 6517)
Shareholders	7,472
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, 2023)

Shareholders	Shares Held (Thousands)	Voting Right Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,941	9.05
The SFP Value Realization Master Fund Ltd.	1,484	6.92
Kyuei Corporation	1,417	6.61
Mizuho Trust & Banking Co., Ltd.	1,055	4.92
The Dai-ichi Life Insurance Co., Ltd.	872	4.06
Custody Bank of Japan, Ltd. (Trust E Account)	755	3.52
Denyo Shin-eikai Group	676	3.15
Tsurumi Manufacturing Co., Ltd	543	2.53
MUFG Bank, Ltd.	540	2.52
Custody Bank of Japan, Ltd. (Trust Account)	525	2.45

Denyo Co.,Ltd.

https://www.denyo.co.jp

Head Office

2-8-5, Nihonbashi-horidomecho, Chuo-ku, Tokyo 103-8566, Japan

Tel

81-3-6861-1111

Fax

81-3-6861-1181