

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)



November 9, 2017

Company name: Denyo Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 6517 URL: <http://www.denyo.co.jp/>
 Representative: President Shoichi Shiratori
 Inquiries: Senior Executive Officer Toshiya Tozawa TEL 03-6861-1111
 Scheduled date to file Quarterly Securities Report: November 10, 2017
 Scheduled date to commence dividend payments: December 7, 2017
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	22,783	(0.5)	1,432	(14.1)	1,526	(14.4)	946	(14.2)
Six months ended September 30, 2016	22,894	(2.8)	1,667	(4.4)	1,784	(5.9)	1,103	(22.0)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	44.56	–
Six months ended September 30, 2016	51.61	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	69,749	54,330	75.1
As of March 31, 2017	68,678	53,145	74.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	–	15.00	–	15.00	30.00
Year ending March 31, 2018	–	15.00	–	–	–
Year ending March 31, 2018 (Forecast)	–	–	–	15.00	30.00

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	50,500	3.4	4,000	(5.8)	4,200	(7.2)	2,600	(9.3)	122.41

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2017	22,859,660 shares	As of March 31, 2017	22,859,660 shares
--------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of September 30, 2017	1,616,843 shares	As of March 31, 2017	1,623,221 shares
--------------------------	------------------	----------------------	------------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017	21,238,931 shares	Six months ended September 30, 2016	21,377,223 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	11,937	14,621
Notes and accounts receivable - trade	19,420	16,956
Securities	999	999
Merchandise and finished goods	6,110	5,930
Work in process	1,101	1,247
Raw materials and supplies	3,493	3,440
Other	758	691
Allowance for doubtful accounts	(6)	(4)
Total current assets	43,814	43,883
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,018	6,991
Machinery, equipment and vehicles, net	2,317	1,990
Land	4,848	4,842
Construction in progress	140	67
Other, net	174	219
Total property, plant and equipment	14,499	14,111
Intangible assets	547	495
Investments and other assets		
Investment securities	9,525	10,986
Other	294	277
Allowance for doubtful accounts	(2)	(5)
Total investments and other assets	9,817	11,259
Total non-current assets	24,863	25,866
Total assets	68,678	69,749

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,937	8,913
Short-term loans payable	210	210
Accrued expenses	556	486
Income taxes payable	630	273
Provision for bonuses	632	692
Provision for directors' bonuses	70	30
Provision for product warranties	108	84
Other	450	368
Total current liabilities	11,596	11,058
Non-current liabilities		
Long-term loans payable	1,122	1,127
Deferred tax liabilities	1,907	2,361
Net defined benefit liability	418	406
Other	487	466
Total non-current liabilities	3,936	4,361
Total liabilities	15,532	15,419
Net assets		
Shareholders' equity		
Capital stock	1,954	1,954
Capital surplus	1,779	1,779
Retained earnings	44,521	45,136
Treasury shares	(1,632)	(1,621)
Total shareholders' equity	46,623	47,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,735	4,760
Foreign currency translation adjustment	764	354
Remeasurements of defined benefit plans	(1)	(2)
Total accumulated other comprehensive income	4,498	5,112
Non-controlling interests	2,023	1,967
Total net assets	53,145	54,330
Total liabilities and net assets	68,678	69,749

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	22,894	22,783
Cost of sales	17,266	17,326
Gross profit	5,628	5,457
Selling, general and administrative expenses	3,961	4,024
Operating profit	1,667	1,432
Non-operating income		
Interest income	11	14
Dividend income	80	77
House rent income	44	32
Share of profit of entities accounted for using equity method	30	26
Other	38	18
Total non-operating income	206	169
Non-operating expenses		
Interest expenses	37	26
Sales discounts	8	10
Foreign exchange losses	32	29
Other	11	9
Total non-operating expenses	89	75
Ordinary profit	1,784	1,526
Extraordinary income		
Gain on sales of non-current assets	–	0
Gain on sales of investment securities	–	1
Total extraordinary income	–	2
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	1,784	1,528
Income taxes - current	577	463
Income taxes - deferred	(11)	39
Total income taxes	565	503
Profit	1,218	1,025
Profit attributable to		
Profit attributable to owners of parent	1,103	946
Profit attributable to non-controlling interests	115	79
Other comprehensive income		
Valuation difference on available-for-sale securities	(19)	1,022
Foreign currency translation adjustment	(1,525)	(470)
Remeasurements of defined benefit plans, net of tax	(0)	(0)
Share of other comprehensive income of entities accounted for using equity method	0	2
Total other comprehensive income	(1,544)	553
Comprehensive income	(326)	1,579
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(205)	1,560
Comprehensive income attributable to non-controlling interests	(120)	18

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,784	1,528
Depreciation	605	588
Interest and dividend income	(92)	(92)
Interest expenses	37	26
Share of (profit) loss of entities accounted for using equity method	(30)	(26)
Loss (gain) on sales of investment securities	–	(1)
Decrease (increase) in notes and accounts receivable - trade	2,126	2,358
Decrease (increase) in inventories	(349)	(45)
Increase (decrease) in notes and accounts payable - trade	(1,888)	50
Other, net	(5)	(92)
Subtotal	2,186	4,294
Interest and dividend income received	104	104
Interest expenses paid	(37)	(26)
Income taxes paid	(542)	(823)
Net cash provided by (used in) operating activities	1,711	3,548
Cash flows from investing activities		
Purchase of property, plant and equipment	(247)	(354)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(24)	(10)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	–	26
Payments into time deposits	(279)	(1,235)
Proceeds from withdrawal of time deposits	–	691
Other, net	1	1
Net cash provided by (used in) investing activities	(550)	(882)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	0	0
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(355)	(331)
Dividends paid to non-controlling interests	(85)	(74)
Other, net	(16)	–
Net cash provided by (used in) financing activities	(458)	(406)
Effect of exchange rate change on cash and cash equivalents	(425)	(92)
Net increase (decrease) in cash and cash equivalents	276	2,167
Cash and cash equivalents at beginning of period	11,745	12,219
Cash and cash equivalents at end of period	12,022	14,387

Supplementary information

(1) Sales results by product

(Millions of yen)

Product	Six months ended September 30, 2016	Six months ended September 30, 2017
Generators	17,073	17,505
Welders	2,275	2,365
Compressors	607	483
Others	2,938	2,429
Total	22,894	22,783

(2) Sales results by region

(Millions of yen)

Region	Six months ended September 30, 2016	Six months ended September 30, 2017
Japan	12,994	13,337
North/Central America	4,984	4,936
Asia	3,598	3,164
Others	1,316	1,345
Total	22,894	22,783