

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2018
(Based on Japanese GAAP)**



May 10, 2018

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 of ordinary general meeting of shareholders: June 28, 2018
 Scheduled date to file Securities Report: June 29, 2018
 Scheduled date to commence dividend payments: June 7, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

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	%
Year ended March 31, 2018	50,182	2.7	3,902	(8.1)	4,187	(7.5)	2,762	(3.7)
Year ended March 31, 2017	48,851	(3.1)	4,247	3.7	4,526	0.7	2,867	(8.6)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	130.03	–	5.3	5.9	7.8
Year ended March 31, 2017	134.18	–	5.7	6.7	8.7

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	72,588	56,132	74.5	2,545.17
As of March 31, 2017	68,678	53,145	74.4	2,407.30

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	3,315	(1,121)	(738)	13,712
Year ended March 31, 2017	2,948	(1,253)	(1,080)	12,219

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	15.00	–	15.00	30.00	665	22.4	1.3
Year ended March 31, 2018	–	15.00	–	25.00	40.00	883	30.8	1.6
Year ending March 31, 2019 (Forecast)	–	20.00	–	20.00	40.00		26.6	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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
Six months ending September 30, 2018	23,700	4.0	1,650	15.1	1,800	17.9	1,150	21.5	54.14
Full year	52,700	5.0	4,600	17.9	4,900	17.0	3,200	15.9	150.64

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2018	22,859,660 shares	As of March 31, 2017	22,859,660 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	1,617,052 shares	As of March 31, 2017	1,623,221 shares
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Average number of shares during the period

Year ended March 31, 2018	21,240,831 shares	Year ended March 31, 2017	21,370,441 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	11,937	13,870
Notes and accounts receivable - trade	19,420	21,479
Securities	999	999
Merchandise and finished goods	6,110	5,254
Work in process	1,101	1,184
Raw materials and supplies	3,493	3,312
Deferred tax assets	541	488
Other	217	242
Allowance for doubtful accounts	(6)	(6)
Total current assets	43,814	46,825
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,246	12,716
Accumulated depreciation	(5,228)	(5,595)
Buildings and structures, net	7,018	7,121
Machinery, equipment and vehicles	6,700	6,696
Accumulated depreciation	(4,383)	(4,906)
Machinery, equipment and vehicles, net	2,317	1,789
Land	4,848	4,841
Construction in progress	140	197
Other	1,793	1,878
Accumulated depreciation	(1,618)	(1,681)
Other, net	174	196
Total property, plant and equipment	14,499	14,147
Intangible assets		
Leasehold right	358	341
Software	156	123
Other	32	6
Total intangible assets	547	471
Investments and other assets		
Investment securities	9,525	10,822
Long-term loans receivable	14	10
Deferred tax assets	61	73
Other	218	243
Allowance for doubtful accounts	(2)	(5)
Total investments and other assets	9,817	11,143
Total non-current assets	24,863	25,762
Total assets	68,678	72,588

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,937	9,554
Short-term loans payable	210	210
Accrued expenses	556	595
Income taxes payable	630	473
Provision for bonuses	632	648
Provision for directors' bonuses	70	74
Provision for product warranties	108	108
Other	450	655
Total current liabilities	11,596	12,319
Non-current liabilities		
Long-term loans payable	1,122	1,062
Lease obligations	5	2
Long-term accounts payable - other	91	81
Deferred tax liabilities	1,907	2,256
Net defined benefit liability	418	486
Other	390	247
Total non-current liabilities	3,936	4,136
Total liabilities	15,532	16,455
Net assets		
Shareholders' equity		
Capital stock	1,954	1,954
Capital surplus	1,779	1,779
Retained earnings	44,521	46,620
Treasury shares	(1,632)	(1,621)
Total shareholders' equity	46,623	48,733
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,735	4,617
Foreign currency translation adjustment	764	756
Remeasurements of defined benefit plans	(1)	(40)
Total accumulated other comprehensive income	4,498	5,332
Non-controlling interests	2,023	2,066
Total net assets	53,145	56,132
Total liabilities and net assets	68,678	72,588

Consolidated statements of income and consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	48,851	50,182
Cost of sales	36,873	38,099
Gross profit	11,977	12,082
Selling, general and administrative expenses	7,730	8,180
Operating profit	4,247	3,902
Non-operating income		
Interest income	26	39
Dividend income	156	153
House rent income	87	72
Share of profit of entities accounted for using equity method	91	99
Miscellaneous income	66	49
Total non-operating income	428	414
Non-operating expenses		
Interest expenses	65	50
Commitment fee	34	6
Foreign exchange losses	13	37
Cost of lease revenue	9	9
Sales discounts	19	20
Miscellaneous loss	6	4
Total non-operating expenses	149	129
Ordinary profit	4,526	4,187
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of investment securities	–	4
Total extraordinary income	2	5
Extraordinary losses		
Loss on disposal of non-current assets	3	7
Loss on valuation of investment securities	–	33
Other	0	–
Total extraordinary losses	3	41
Profit before income taxes	4,526	4,150
Income taxes - current	1,471	1,237
Income taxes - deferred	(8)	15
Total income taxes	1,463	1,252
Profit	3,062	2,898
Profit attributable to		
Profit attributable to owners of parent	2,867	2,762
Profit attributable to non-controlling interests	194	136
Other comprehensive income		
Valuation difference on available-for-sale securities	719	880
Foreign currency translation adjustment	(421)	(27)
Remeasurements of defined benefit plans, net of tax	(2)	(39)
Share of other comprehensive income of entities accounted for using equity method	2	1
Total other comprehensive income	297	815
Comprehensive income	3,359	3,714
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,208	3,596
Comprehensive income attributable to non-controlling interests	150	117

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,954	1,779	42,343	(1,381)	44,697
Changes of items during period					
Dividends of surplus			(689)		(689)
Profit attributable to owners of parent			2,867		2,867
Purchase of treasury shares				(265)	(265)
Disposal of treasury shares				14	14
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,177	(251)	1,926
Balance at end of current period	1,954	1,779	44,521	(1,632)	46,623

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,014	1,142	0	4,157	1,957	50,812
Changes of items during period						
Dividends of surplus						(689)
Profit attributable to owners of parent						2,867
Purchase of treasury shares						(265)
Disposal of treasury shares						14
Net changes of items other than shareholders' equity	721	(377)	(2)	341	65	406
Total changes of items during period	721	(377)	(2)	341	65	2,333
Balance at end of current period	3,735	764	(1)	4,498	2,023	53,145

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,954	1,779	44,521	(1,632)	46,623
Changes of items during period					
Dividends of surplus			(662)		(662)
Profit attributable to owners of parent			2,762		2,762
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				11	11
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,099	10	2,109
Balance at end of current period	1,954	1,779	46,620	(1,621)	48,733

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,735	764	(1)	4,498	2,023	53,145
Changes of items during period						
Dividends of surplus						(662)
Profit attributable to owners of parent						2,762
Purchase of treasury shares						(0)
Disposal of treasury shares						11
Net changes of items other than shareholders' equity	881	(8)	(39)	834	43	877
Total changes of items during period	881	(8)	(39)	834	43	2,987
Balance at end of current period	4,617	756	(40)	5,332	2,066	56,132

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	4,526	4,150
Depreciation	1,211	1,198
Share of loss (profit) of entities accounted for using equity method	(91)	(99)
Loss (gain) on valuation of investment securities	–	33
Increase (decrease) in net defined benefit liability	(26)	14
Increase (decrease) in provision for product warranties	(13)	0
Increase (decrease) in provision for bonuses	10	15
Increase (decrease) in provision for directors' bonuses	(7)	4
Increase (decrease) in allowance for doubtful accounts	(21)	1
Interest and dividend income	(183)	(192)
Interest expenses	65	50
Loss (gain) on sales of non-current assets	(2)	0
Loss (gain) on disposal of non-current assets	3	6
Decrease (increase) in notes and accounts receivable - trade	(197)	(2,094)
Decrease (increase) in inventories	(518)	896
Increase (decrease) in notes and accounts payable - trade	(922)	617
Other, net	218	(44)
Subtotal	4,050	4,560
Interest and dividend income received	194	202
Interest expenses paid	(65)	(50)
Income taxes paid	(1,231)	(1,396)
Net cash provided by (used in) operating activities	2,948	3,315
Cash flows from investing activities		
Purchase of property, plant and equipment	(537)	(680)
Proceeds from sales of property, plant and equipment	7	2
Purchase of intangible assets	(50)	(16)
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	–	29
Payments of loans receivable	(4)	(1)
Collection of loans receivable	7	5
Net decrease (increase) in time deposits	(674)	(457)
Other, net	1	(0)
Net cash provided by (used in) investing activities	(1,253)	(1,121)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(22)	0
Purchase of treasury shares	(265)	(0)
Cash dividends paid	(689)	(662)
Dividends paid to non-controlling interests	(85)	(74)
Other, net	(16)	–
Net cash provided by (used in) financing activities	(1,080)	(738)
Effect of exchange rate change on cash and cash equivalents	(141)	37
Net increase (decrease) in cash and cash equivalents	473	1,493
Cash and cash equivalents at beginning of period	11,745	12,219
Cash and cash equivalents at end of period	12,219	13,712

Supplementary information

(1) Sales results by product

(Millions of yen)

Product	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Generators	36,857	38,653
Welders	4,832	4,919
Compressors	1,440	1,083
Others	5,720	5,525
Total	48,851	50,182

(2) Sales results by region

(Millions of yen)

Region	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Japan	29,252	31,211
North/Central America	10,310	10,382
Asia	6,479	5,938
Others	2,808	2,648
Total	48,851	50,182