Denyo Co., Ltd.

2015
Annual Report
Year ended March 31, 2015

Profile

Denyo Co., Ltd. was founded in 1948. Since its creation, it has been involved in the manufacture and sales of Engine Generators, Engine Welders and Engine Air-compressors, along with the repair parts associated with these. The Company and Corporate Group is made up of ten subsidiaries and one affiliate company, along with its production facilities, including after-sales service in Japan, Southeast Asia and the U.S.

The second factory in Denyo Vietnam Co., Ltd., a member of the Company and Corporate Group, was completed and production started.

Until now, Denyo Vietnam, established in May 2010, has manufactured and provided generator parts to group companies in Japan and the U.S. The second factory was built in order to make a full line of production up to the finished engine generator product and the construction was completed in February 2015. The gross floor area of this second factory is 16,211m^2.

In March 2015 the first machine was completed, after which a product evaluation meeting was held locally by related persons. The same strict inspections used in Japan were applied at the product evaluation meeting, and the same high-quality product as produced in Japan was achieved.

Denyo Vietnam Co., Ltd. and commemorative ceremony for the first completed generator

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DENYO CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Highlights

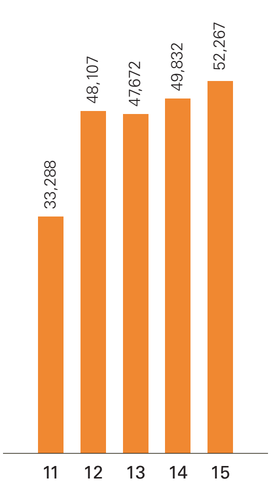
Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Net Sales	¥ 52,267	¥ 49,832	¥ 47,672	$434,581
Total Assets	67,324	61,518	55,715	559,775
Total Net Assets	49,195	44,324	40,153	409,040
Operating Income	5,349	5,407	4,652	44,472
Net Income	3,858	3,726	3,399	32,076

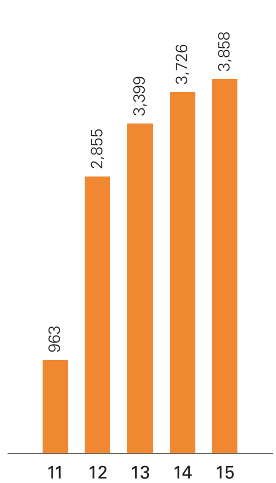
Per Share Data	Yen			U.S. dollars
Total Net Assets	¥2,215.29	¥1,990.19	¥1,723.43	$ 18.42
Net Income	179.38	165.21	149.00	1.49
Cash Dividends	28.00	24.00	22.00	0.23

Note: Transaction into U.S. dollars has been made, solely for the reader's convenience, at the rate of ¥120.27 to U.S.$1, prevailing on the Tokyo Foreign Exchange Market on March 31, 2015.

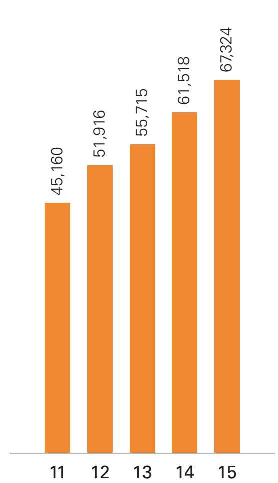
Net Sales
(¥ million)



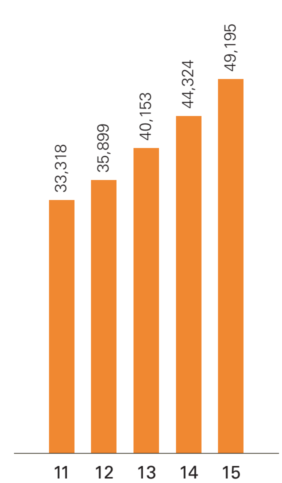
Net Income
(¥ million)



Total Assets
(¥ million)



Total Net Assets
(¥ million)



To Our Shareholders

Hideaki Kuboyama
Chairman and CEO

Shigeru Koga
President

Business Environment and Results

Fiscal 2015, the term ending March 31, 2015 marks the Denyo Group's 67th business term.

For Japan's economy in this consolidated accounting year, while the effects on individual consumption as a result of the increase in consumption tax were apparent, due to economic measures by the government and financial policies put in place by the Bank of Japan, improvements were still seen in corporate earnings and employment/income, resulting in a shift to a gradual recovery. In the world economy, slow-down was seen in emerging economies, but with the U.S. shifting to a steady economic stance and some regions in Europe also showing signs of recovery, there was also a gradual overall recovery.

Regarding the business environment of the Company and Corporate Group in Japan, the major construction-related areas have seen an increase in public spending for infrastructure maintenance and disaster prevention, and capital investments in private corporate sector have increased steadily. Even overseas and mainly the U.S. market there has been a steady increase in overall demand.

Under these circumstances, as a result of actively selling eco-friendly products both domestically and overseas by the Company and Corporate Group, consolidated net sales were ¥52,267 million (US$434,581 thousand). This is a 4.9% increase from the previous term. In consideration of profits, the consolidated operating income was ¥5,349 million (US$44,472 thousand), a 1.1% decrease under the previous term. Income before income taxes and minority interests was ¥6,054 million (US$50,340 thousand), a 2.1% increase compared to the previous term. Consolidated net income this term was ¥3,858 million (US$32,076 thousand), a 3.5% increase compared to the previous term and we posted our highest sales and net income in history.

The term-end dividend was an ordinary dividend of ¥16 (US$0.13) per share, a ¥3 (US$0.02) increase from the previous period. The interim dividend was an ordinary dividend of ¥12 (US$0.10) per share, making the total payout for the year ¥28 (US$0.23) per share, a ¥4 (US$0.03) increase from the previous term. As a result, the Company's dividend payout ratio was 15.6%.

Future Focus

In regards to future business outlook, we expect the gradual economic recovery to continue in Japan with a recovery of individual consumption and improved corporate profit. While China and emerging economics are uncertain factors, the global economy is expected to continue with a gradual recovery based on the favorable U.S. economy.

Under these conditions, the Company and Corporate Group endeavors to improve and optimize productivity while also strengthening sales activities in construction-related fields, promoting expansion in non-construction related fields and at the same time focus attention on new business development and market expansion in overseas markets.

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

June 26, 2015

Hideaki Kuboyama,
Chairman and CEO

Shigeru Koga,
President

Review of Operations

Research and Development Activities

The Company and Corporate Group always works with a pioneering attitude and creativity, and actively executes research and development activities, striving for technological innovation as a basic principle, carrying out aggressive R&D to develop products from our new technology research.

Research and development in the Company and Corporate Group has close and mutual cooperation between both domestic and overseas Group companies, centralized in the Development division at the Company in Japan. There are a total of 93 research and development staff members in the entire Group, which make up about 10% of the employees.

Research and development costs in this consolidated accounting period was ¥535 million (US$4,448 thousand) and the number of industrial property rights owned by the Company during this period is 481, domestically and overseas.

Major achievements in research and development this term are outlined below.

New Engine TIG Welder DAT-200 x 2LSE

DAT-200 x 2LSE

Denyo began sales of the 2-man engine-driven TIG welder DAT-200 x 2LSE in December 2014.

This engine welder allows for two persons to TIG weld simultaneously, and is made possible by Denyo's technology – as the top manufacturer in engine welders. Also, when two persons are using it for hand-welding or simultaneous TIG welding and hand-welding, the welding operations are even more effective because it can be arranged for the client's needs.

Plenty of considerations for safety and environmental issues have also been taken. If welding rods short out for more than one second, the welding current is decreased and the welding machine will be prevented from overheating as well as a shock preventer, to protect from electric shock accidents even in high places or in high humidity environments. Also, if there is fuel leak when refueling or there is an oil leak etc., the device is equipped with an eco-base as standard, which controls external flow as much as possible by stopping it with an oil guard base on the bottom of the main device.

Denyo will continue to take safety and environmental precautions while striving to expand our lineup of welders to suit the needs of our customers.

New Engine Compressor DIS-200VPS-D

DIS-200VPS-D

The Company has newly developed DIS-200VPS-D dry-air specification in variable compression/variable capacity-type engine-driven compressors, and categorized them to the DIS series.

The basic DIS-200VPS model uses Denyo's own technology, the full digital control offered by the Variable Pressure & Speed Control System (VPS), and since discharge pressure and the amount of discharge air can be set freely, this single machine can be used on a wide variety of sites, from operations requiring high pressure to high-volume and low pressure sites.

Also, the DIS-200VPS-D adopted the full digital control VPS system technology, making it possible to supply dry, compressed air. This machine is optimum for sites requiring differing discharge pressures and amounts of discharge air, such as down the hole construction method, installed pile construction method, etc. and for works which hate humidity, such as sand blasting, painting, etc.

Super Soundproof Stand-by Generating Sets


DCA-100SSG

Denyo, along with the group company Nishinihon Generator Mfg. Co., Ltd., has put efforts into development and sales of stand-by generating sets.

Stand-by generating sets include emergency back up generators which is equipped at large commercial facilities and welfare facilities with large crowds, for disaster prevention to provide power for fire extinguishing facilities and stand-by generating sets to provide power for office devices and electric appliances during power outages.

This super soundproof generator for general power outages was made to meet the demand of customers with consideration of surrounding, and is a product that has merged technology cultivated over many years by Nishinihon Generators and the soundproofing technology that Denyo is expert at. Noise during operation is 65dB at a distance of 1m and when operating in a small distance, the sound is virtually inaudible. Furthermore, the black smoke characteristic to diesel engines when starting is virtually non-existent in consideration for the environment.

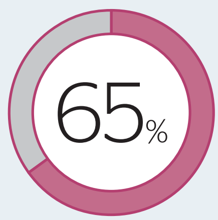
Denyo and its Group Companies as a whole always endeavor to meet the needs of our customers.

Overview of Product Segment

Business Performance by Product Category and Domestic Market Share

Engine Generators

(Mobile type)

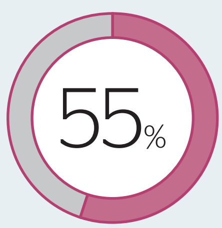


In the engine generators segment, while for the domestic market, shipment of stand-by generating sets runs on LP gas decreased, sales of medium and large sized generators increased thanks to a background of steady, construction demand and overseas, the U.S. market and Middle Eastern market have shifted to bullish tones.

The result of this was sales of ¥40,079 million (US$333,243 thousand) in this segment, a 4.8% increase over the previous term.

This product segment's domestic market share is 65%.

Engine Welders

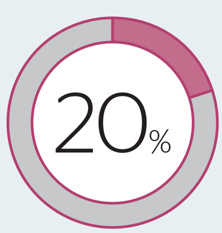


In the engine welders segment, sales of small engine welders responding to the environment for the domestic market have increased. Overseas, shipment to the U.S. and Asian markets has increased.

The result of this was sales of ¥5,556 million (US$46,198 thousand) in this segment, a 5.6% increase compared to the previous term.

This product segment's domestic market share is 55%.

Engine Compressors



In the compressors segment, shipments have increased to the leasing and rental industry domestically.

The result of this was sales of ¥1,127 million (US$9,368 thousand) in this segment, a 13.4% increase over the previous term.

This product segment's domestic market share is 20%.

Other Products

In other products segment, sales of self-propelled lifters increased.

The result of this was sales of ¥5,505 million (US$45,772 thousand) in this segment, a 3.2% increase compared to the previous term.

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

Consolidated Financial Statements

Fiscal Year 2015
Year ended March 31, 2015

Financial Review

Business Environment and Results

Regarding the business environment of the Company and Corporate Group in Japan, the major construction-related areas have seen an increase in public spending for infrastructure maintenance and disaster prevention, and capital investments in the private corporate sector have increased steadily. Even overseas and mainly the U.S. market there has been a steady increase in overall demand.

In these circumstances, the Company and Corporate Group aims to make eco-friendly products and actively develop both domestic and international sales activities.

The result of this was consolidated net sales of ¥52,267 million (US$434,581 thousand). This is a 4.9% increase from the previous term. Also, in consideration of profits, the consolidated operating income was ¥5,349 million (US$44,472 thousand), a 1.1% decrease under the previous term. Income before income taxes and minority interests was also ¥6,054 million (US$50,340 thousand) a 2.1% increase compared to the previous term. Consolidated net income this term was ¥3,858 million (US$32,076 thousand), a 3.5% increase compared to the previous term and we posted our highest sales and net income in history.

Segment Information

Looking at sales by segment, in the engine generators segment, while sales of stand-by generating sets for the domestic market that run on LP gas decreased, as sales of medium and large sized generators increased thanks to a background of steady, construction demand and overseas, the U.S. market and Middle Eastern market have shifted to firm tones, sales came to ¥40,079 million (US$333,243 thousand), which was a 4.8% increase over the previous term.

For the welders segment, there has been a steady shift of small welders in response to environmental issues domestically and due to the strong U.S. and Asian markets overseas, sales were ¥5,556 million (US$46,198 thousand), which was a 5.6% increase compared to the previous term.

For the compressors segment, with the increase of sales for the domestic major leasing and rental industry, the compressors segment had sales of ¥1,127 million (US$9,368 thousand), which was a 13.4% increase compared to the previous term.

In other segments, due to the increase in the shipment of self-propelled lifters, sales were ¥5,505 million (US$45,772 thousand), which was a 3.2% increase compared to the previous term.

Also, looking at results of the segment information by area, with a steady increase of sales of engine generators for the domestic major leasing and rental industry in Japan as well as an overall increase (overseas) in generators for the Middle Eastern markets with the weak yen, sales were ¥38,101 million (US$316,793 thousand), which is a 2.1% or ¥777 million (US$6,462 thousand) over the previous term. On the other hand, Operating income was ¥3,245 million (US$26,985 thousand), which was a 24.8% or ¥1,072 million (US$8,914 thousand) decrease from the previous term. This is due to factors such as the rise in cost ratio.

Further, results in the U.S., due to settling of purchasing restraints from exhaust gas regulations in America, sales of new generators made for the exhaust gas regulations for the rental market increased, bringing sales to ¥8,981 million (US$74,675 thousand), which is a 24.3% or ¥1,754 million (US$14,584 thousand) increase over the previous term. Operating income was ¥1,185 million (US$9,854 thousand), a huge increase of 233.3% or ¥829 million (US$6,897 thousand) compared with the previous term.

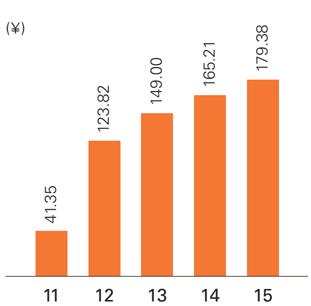
In addition, while the demand for generators for infrastructure maintenance construction and corporate equipment in Asia was steady, due to reduced demand in generators for Australia's mine development, sales were ¥4,706 million (US$39,130 thousand), which was a 5.3% decrease or ¥262 million (US$2,178 thousand) fall in income. On the other hand, due to effects of the weakened yen and operations of factories in Vietnam, there were improvements in cost ratio, bringing operating income for the term to ¥705 million (US$5,861 thousand), which is an increase of 22.8% or ¥131 million (US$1,088 thousand) over the previous term.

In Europe, there was recovery seen in some regions and due to an increase in sales of generators, sales were ¥479 million (US$3,984 thousand). This was a 52.8% or ¥166 million (US$1,377 thousand) increase over the previous term and Operating loss for the previous term was ¥40 million (US$334 thousand) while this term we made a profit of ¥7 million (US$56 thousand) as operating income.

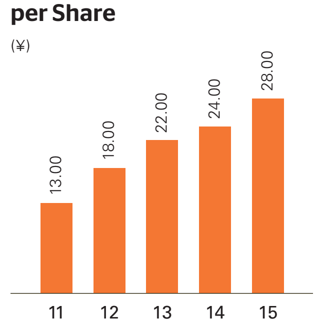
Financial Position

Total assets for the end of year consolidated accounting were ¥67,324 million (US$559,775 thousand) and increased by ¥5,806 million (US$48,273 thousand). The equity ratio was 70.3%, an increase of 0.7 points from the previous consolidated accounting year.

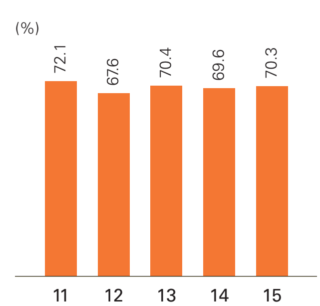
Net Income per Share



Cash Dividends per Share



Equity Ratio



Total current assets for the end of the year were ¥40,856 million (US$339,703 thousand), which increased by ¥2,229 million (US$18,537 thousand) compared with the previous end of term. This was mainly due to an increase in cash and savings of ¥1,145 million (US$9,518 thousand) and an increase of inventory of ¥1,874 million (US$15,579 thousand), etc.

Also, the fixed assets at the end of year consolidated accounting were ¥26,468 million (US$220,072 thousand), which was an increase of ¥3,576 million (US$29,736 thousand) over the previous end of term. This was mainly due to the fact that tangible fixed assets increased by ¥2,216 million (US$18,429 thousand), the increase of investments in securities from revaluation was ¥1,296 million (US$10,774 thousand), etc.

On the other hand, total liabilities at the end of this consolidated accounting year were ¥18,129 million (US$150,735 thousand), which is a ¥934 million (US$7,768 thousand) increase compared to the previous end of term. Current liabilities at the end of this term were ¥13,396 million (US$111,386 thousand), which was a ¥559 million (US$4,649 thousand) increase over the previous term. This was mainly due to an increase in bills payable and accounts payable of ¥1,651 million (US$13,723 thousand), etc.

Also, the fixed liabilities at the end of this term were ¥4,733 million (US$39,349 thousand), which was an increase of ¥375 million (US$3,118 thousand) compared to the previous term. This was mainly due to the increase of liabilities related to retirement benefits of ¥224 million (US$1,866 thousand), etc.

Total equity for the end of year consolidated accounting year, including minority shareholders' interest was ¥49,195 million (US$409,040 thousand), an increase of ¥4,872 million (US$40,505 thousand) over the previous term. This is mainly due to the net income for this term of ¥3,858 million (US$32,076 thousand) and the ¥826 million (US$6,868 thousand) increase of other difference in Securities valuation, etc.

Cash Flows

Looking at the cash flow situation, funds gained as a result of operating activities in this consolidated accounting year were ¥5,078 million (US$42,225 thousand). This is an increase of ¥2,722 million (US$22,629 thousand) over the previous term. The main factors were that the income before income taxes and minority interests came to ¥6,054 million (US$50,340 thousand), receivables decreased by ¥932 million (US$7,747 thousand), payment of income taxes were ¥2,422 million (US$20,135 thousand), and payables increased by ¥1,260 million (US$10,475 thousand), etc.

The results of investment activities and used capital came to ¥2,642 million (US$21,967 thousand). Used capital in the previous financial year were ¥1,777 million (US$14,772 thousand). This was mainly due to expenditures of ¥2,611 million (US$21,707 thousand) from acquisition of tangible fixed assets for buildings, machines, equipment, etc.

Also, the result of financial activities was a used capital of ¥1,789 million (US$14,872 thousand). Used capital increased by ¥278 million (US$2,309 thousand) compared with the previous financial year. This is mainly due to net decrease of short-term loans payable of ¥476 million (US$3,960 thousand), expenditures of ¥280 million (US$2,327 thousand) for purchase of treasury stock, dividend payments of ¥559 million (US$4,648 thousand), etc.

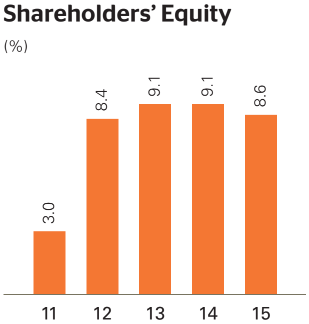
The result was cash and cash equivalent on a consolidated basis at the end of this consolidated accounting year, in other words a capital balance, increase of ¥945 million (US$7,855 thousand) over the previous end of term to ¥10,776 million (US$89,602 thousand). This is mainly due to the summing up of income before income taxes and minority interests of ¥6,054 million (US$50,340 thousand), the increase of payables, etc.

Dividends

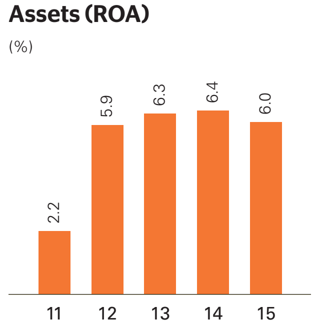
In its profit sharing, Denyo recognizes the importance of returning profits to shareholders, while investing in equipment and research & development in order to strengthen and maintain product competitiveness and its policy is to strive to improve profitability and strengthen financial structure while implementing both interim and term-end dividend payouts of distribution of results comprehensively calculated by achievement and payout ratio.

Based on this policy, dividends for this term were interim dividends of ¥12 (US$0.10) per share and end of year dividends were distributed at ¥16 (US$0.13) per share. The result of this was, including interim dividends, total dividends of ¥28 (US$0.23) per share for the year, which is an increase of ¥4 (US$0.03) over the previous term. As a result, the consolidated dividend payout ratio was 15.6%.

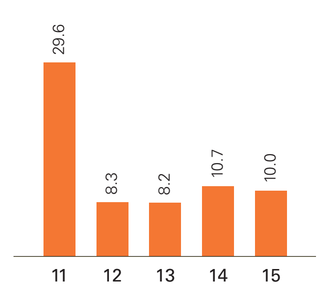
Return on Average Shareholders' Equity



Return on Average Assets (ROA)



Price Earnings Ratio



DENYO CO., LTD. and Subsidiaries

Consolidated Balance Sheets

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2015	2014	2015
Current Assets:			
Cash and cash equivalents (Note 14)	¥10,776	¥ 9,832	$ 89,602
Receivables (Note 14):			
Trade notes	6,349	5,667	52,792
Trade accounts	10,628	11,576	88,368
Associated companies (Note 19)	2,198	2,500	18,278
Other	177	36	1,475
Allowance for doubtful receivables	(43)	(56)	(360)
Inventories (Note 5)	10,062	8,189	83,666
Deferred tax assets (Note 11)	575	735	4,779
Prepaid expenses and other current assets	134	148	1,103
Total current assets	40,856	38,627	339,703
Property, Plant and Equipment:			
Land	4,863	4,826	40,430
Buildings and structures	12,072	10,263	100,370
Machinery and equipment (Note 13)	5,722	4,967	47,577
Furniture and fixtures	1,684	1,534	14,014
Construction in progress	1,079	507	8,971
Total	25,420	22,097	211,362
Accumulated depreciation	(9,613)	(8,507)	(79,929)
Net property, plant and equipment	15,807	13,590	131,433
Investments and Other Assets:			
Investment securities (Notes 4 and 14)	9,326	8,074	77,541
Investments in associated companies (Note 6)	621	577	5,166
Deferred tax assets (Note 11)	58	48	486
Other assets	656	602	5,446
Total investments and other assets	10,661	9,301	88,639
Total	¥67,324	¥61,518	$559,775

See notes to consolidated financial statements.

Liabilities and Equity	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current Liabilities:			
Short-term bank loans (Notes 7 and 14)	¥ 233	¥ 708	$ 1,936
Current portion of long-term debt (Notes 7 and 14)	400	400	3,326
Payables (Note 14):			
Trade notes	1,817	1,749	15,106
Trade accounts	8,375	6,787	69,637
Associated companies	14	19	116
Other	145	314	1,210
Accrued income taxes (Note 11)	519	1,075	4,315
Accrued expenses	1,530	1,256	12,725
Provision for product warranties	90	267	746
Other current liabilities	273	262	2,269
Total current liabilities	13,396	12,837	111,386
Long-Term Liabilities:			
Long-term debt (Notes 7 and 14)	1,215	1,434	10,099
Liability for retirement benefits (Note 9)	471	247	3,916
Deferred tax liabilities (Note 11)	2,195	2,124	18,248
Other long-term liabilities	852	552	7,086
Total long-term liabilities	4,733	4,357	39,349
Commitments and Contingent Liabilities (Notes 13 and 15)			
Equity (Note 10):			
Common stock – authorized, 97,811,000 shares; issued, 22,859,660 shares in 2015 and 24,359,660 shares in 2014	1,955	1,955	16,254
Capital surplus	1,754	1,754	14,588
Retained earnings	39,873	38,458	331,532
Treasury stock – at cost, 1,491,904 shares in 2015 and 2,844,532 shares in 2014 (Note 3)	(1,359)	(2,861)	(11,303)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,034	3,208	33,545
Deferred gain on derivatives under hedge accounting	1		10
Foreign currency translation adjustments	1,087	288	9,030
Defined retirement benefit plans	(9)	18	(76)
Total	47,336	42,820	393,580
Minority interests	1,859	1,504	15,460
Total equity	49,195	44,324	409,040
Total	¥67,324	¥61,518	$559,775

DENYO CO., LTD. and Subsidiaries

Consolidated Statement of Income and Comprehensive Income
Consolidated Statement of Operations

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net Sales (Note 18)	¥52,267	¥49,832	$434,581
Cost of Sales	39,155	36,883	325,557
Gross profit	13,112	12,949	109,024
Selling, General and Administrative Expenses (Note 12)	7,763	7,542	64,552
Operating income	5,349	5,407	44,472
Other Income (Expenses):			
Interest and dividend income	181	151	1,505
Interest expense	(42)	(22)	(353)
Gain on sale of property, plant and equipment	1	110	8
Loss on sale or disposal of property, plant and equipment	(3)	(6)	(27)
Gain on sale of investment securities (Note 4)	300	51	2,492
Foreign exchange gain	104	45	867
Equity in earnings of associated companies	61	63	508
Rent income	56	59	468
Commitment fee	(7)	(38)	(58)
Gain on step acquisitions		51	
Other – net	54	58	458
Other income – net	705	522	5,868
Income Before Income Taxes and Minority Interests	6,054	5,929	50,340
Income Taxes (Note 11):			
Current	1,863	2,062	15,491
Deferred	131	21	1,090
Total income taxes	1,994	2,083	16,581
Net income before minority interests	4,060	3,846	33,759
Minority interests	202	120	1,683
Net income	3,858	3,726	32,076
Minority interests	202	120	1,683
Net income before minority interests	¥ 4,060	¥ 3,846	$ 33,759
Other Comprehensive Income (Note 16):			
Unrealized gain on available-for-sale securities	826	1,083	6,866
Deferred gain (loss) on derivatives under hedge accounting	1	(2)	10
Foreign currency translation adjustments	992	1,093	8,243
Defined retirement benefit plans	(27)		(225)
Share of other comprehensive income in associates		35	2
Total other comprehensive income	1,792	2,209	14,896
Comprehensive Income	¥ 5,852	¥ 6,055	$ 48,655
Total Comprehensive Income Attributable To:			
Owners of the parent	¥5,458	¥5,806	$45,381
Minority interests	394	249	3,274

	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Basic net income (Note 17)	¥179.38	¥165.21	$1.49
Cash dividends applicable to the year	28.00	24.00	0.23

See notes to consolidated financial statements.

DENYO CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Equity

Years ended March 31, 2015 and 2014

	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income: Deferred Gain (Loss) on Derivatives under Hedge Accounting	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Income: Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
	(Thousands)	Millions of yen										
Balance, March 31, 2013 (April 1, 2013, as previously reported)	22,751	¥1,955	¥1,755	¥35,398	¥(1,312)	¥2,118	¥ 2	¥ (706)		¥39,210	¥ 943	¥40,153
Cumulative effect of accounting change			(1)	(123)	143					19		19
Balance, April 1, 2013 (as restated)	22,751	1,955	1,754	35,275	(1,169)	2,118	2	(706)		39,229	943	40,172
Net income				3,726						3,726		3,726
Cash dividends, ¥24 per share				(543)						(543)		(543)
Purchase of treasury stock	(1,238)				(1,693)					(1,693)		(1,693)
Selling of treasury stock	2				1					1		1
Change of scope of equity method Net change in the year						1,090	(2)	994	¥ 18	2,100	561	2,661
Balance, March 31, 2014 (April 1, 2014, as previously reported)	21,515	1,955	1,754	38,458	(2,861)	3,208		288	18	42,820	1,504	44,324
Cumulative effect of accounting change				(103)						(103)		(103)
Balance, April 1, 2014 (as restated)	21,515	1,955	1,754	38,355	(2,861)	3,208		288	18	42,717	1,504	44,221
Net income				3,858						3,858		3,858
Cash dividends, ¥28 per share				(559)						(559)		(559)
Purchase of treasury stock	(150)				(281)					(281)		(281)
Selling of treasury stock	3				2					2		2
Retirement of treasury stock				(1,781)	1,781							
Net change in the year						826	1	799	(27)	1,599	355	1,954
Balance, March 31, 2015	21,368	¥1,955	¥1,754	¥39,873	¥(1,359)	¥4,034	¥ 1	¥1,087	¥ (9)	¥47,336	¥1,859	¥49,195
		Thousands of U.S. dollars (Note 1)										
Balance, March 31, 2014 (April 1, 2014, as previously reported)		$16,254	$14,588	$319,767	$(23,787)	$26,676		$2,378	$149	$356,025	$12,509	$368,534
Cumulative effect of accounting change				(852)						(852)		(852)
Balance, April 1, 2014 (as restated)		16,254	14,588	318,915	(23,787)	26,676		2,378	149	355,173	12,509	367,682
Net income				32,076						32,076		32,076
Cash dividends, $0.23 per share				(4,648)						(4,648)		(4,648)
Purchase of treasury stock					(2,343)					(2,343)		(2,343)
Selling of treasury stock					16					16		16
Retirement of treasury stock				(14,811)	14,811							
Net change in the year						6,869	$10	6,652	(225)	13,306	2,951	16,257
Balance, March 31, 2015		$16,254	$14,588	$331,532	$(11,303)	$33,545	$10	$9,030	$(76)	$393,580	$15,460	$409,040

See notes to consolidated financial statements.

DENYO CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating Activities:			
Income before income taxes and minority interests	¥ 6,054	¥ 5,929	$ 50,340
Adjustments for:			
Income taxes paid	(2,422)	(2,139)	(20,135)
Depreciation and amortization	999	838	8,303
Loss (gain) on sale or disposal of property, plant and equipment – net	2	(103)	19
Gain on step acquisitions		(51)	
Equity in earnings of associated companies	(61)	(63)	(508)
Changes in assets and liabilities, net of effects:			
Decrease (increase) in trade notes and accounts receivable	932	(957)	7,747
Increase in inventories	(1,470)	(547)	(12,221)
Decrease in interest and dividend receivable	14	9	120
Increase (decrease) in trade notes and accounts payable	1,260	(986)	10,475
Increase (decrease) in interest payable	2	(3)	16
(Decrease) increase in provision for allowance for doubtful accounts	(15)	4	(128)
Increase (decrease) in liability for retirement benefits	60	(273)	500
Other – net	(277)	699	(2,303)
Total adjustments	(976)	(3,572)	(8,115)
Net cash provided by operating activities	5,078	2,357	42,225
Investing Activities:			
Proceeds from sales of property, plant and equipment	2	144	18
Purchase of property, plant and equipment	(2,611)	(2,158)	(21,707)
Proceeds from sales of securities	396	192	3,294
Purchase of securities	(371)	(2)	(3,087)
Investment in loans receivable	(7)	(12)	(54)
Collections of loans receivable	15	14	123
Increase in cash of newly consolidated subsidiary		106	
Other – net	(66)	(61)	(554)
Net cash used in investing activities	(2,642)	(1,777)	(21,967)
Financing Activities:			
(Decrease) increase in short-term loans – net	(476)	161	(3,960)
Proceeds from long-term debt		1,029	
Repayment of long-term debt	(400)	(400)	(3,326)
Purchase of treasury stock	(280)	(1,691)	(2,327)
Dividends paid	(559)	(543)	(4,648)
Other – net	(74)	(67)	(611)
Net cash used in financing activities	(1,789)	(1,511)	(14,872)
Foreign currency translation adjustments on cash and cash equivalents	297	242	2,470
Net increase (decrease) in cash and cash equivalents	944	(689)	7,856
Cash and cash equivalents, beginning of year	9,832	10,521	81,746
Cash and cash equivalents, end of year	¥10,776	¥ 9,832	$ 89,602

See notes to consolidated financial statements.

DENYO CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements

Years ended March 31, 2015 and 2014

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 ¥120.27 to U.S.$1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its 10 subsidiaries, including mainly "Denyo Kosan Co., Ltd.," "Nishinihon Generator Mfg. Co., Ltd.," "Denyo America Corporation," "Denyo Manufacturing Corporation," "Denyo Asia Pte. Ltd.," "Denyo United Machinery Pte. Ltd.," "Denyo Europe B.V.," "Denyo Vietnam Co., Ltd." and "P.T. Dein Prima Generator" (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The investment in "New Japan Machinery Corporation" associated company, is accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

"Denyo America Corporation," "Denyo Manufacturing Corporation," "Denyo Asia Pte. Ltd.," "Denyo United Machinery Pte. Ltd.," "Denyo Europe B.V.," "Denyo Vietnam Co., Ltd." and "P.T. Dein Prima Generator" and one other were consolidated using the financial statements as of December 31 because the difference between the fiscal yearend 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

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that 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 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; (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) exclusion of minority interests from net income, if contained in net income.

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 that are exposed to a minor risk of fluctuations in value.

d. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for depending on management's intent. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Allowance for Doubtful Accounts
The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. Inventories
Inventories are stated at the lower of cost, determined by the first-in, first-out method for finished products and work in process, and by the average method for raw materials, or net selling value.

g. Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method at rates 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 after April 1, 1998, and all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 7 to 47 years for buildings and structures, and from 2 to 11 years for machinery and equipment.

h. Provision for Product Warranties
The provision for product warranties is recorded to provide for future potential costs, such as costs related to after-sales services within the warranty period based on past experience.

i. Accrued Bonuses
Accrued bonuses to employees are provided for at the estimated amounts that the Company and its domestic subsidiaries are obligated to pay to employees after the fiscal yearend, based on services provided during the current period.

j. Retirement and Pension Plans
The Company, its domestic subsidiaries and a certain foreign subsidiary maintain defined benefit pension plans. Some foreign subsidiaries maintain defined contribution pension plans.

Accrued severance indemnities are accrued based on an estimated retirement benefit obligation, considering the estimated fair value of plan assets at the balance sheet date.

The unrecognized actuarial gains and losses are amortized on a straight-line basis over a period of 5 years from the year incurred.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases "expected to be certain" to salary increases "expected," and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by ¥159 million (U.S.$1,323 thousand), and retained earnings as of April 1, 2014, decreased by ¥103 million (U.S.$852 thousand), and operating income and income before income taxes and minority interests for the year ended March 31, 2015, increased by ¥6 million (U.S.$53 thousand). In addition, the effect on basic net income per share is immaterial.

k. Employee Stockownership Plan

In December 2013, the ASBJ issued PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, 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 shall be recorded in capital surplus. At yearend, the entity shall record (1) the entity 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 employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Company applied this PITF effective April 1, 2014, retrospectively. As a result, other current liabilities as of March 31, 2014, increased by ¥42 million (U.S.$345 thousand), liability for retirement benefits, capital surplus, retained earnings and treasury stock as of March 31, 2014, decreased by ¥139 million (U.S.$1,153 thousand), ¥1 million (U.S.$9 thousand), ¥76 million (U.S.$633 thousand) and ¥142 million (U.S.$1,185 thousand), respectively, and operating income and income before income taxes and minority interests for the year ended March 31, 2014, increased by ¥86 million (U.S.$722 thousand), as compared to those previously reported, and capital surplus, retained earnings and treasury stock as of April 1, 2013, decreased by ¥0 million (U.S.$2 thousand), ¥123 million (U.S.$1,020 thousand) and ¥143 million (U.S.$1,192 thousand), respectively, after retrospective application. In addition, basic net income per share for the year ended March 31, 2014, increased by ¥2.88 (U.S.$0.03).

l. Research and Development Costs

Research and development costs are charged to income as incurred.

m. Leases

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

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

n. Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members are accrued at the yearend to which such bonuses are attributable.

o. Income Taxes

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

p. Foreign Currency Transactions

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

q. Foreign Currency Financial Statements

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

r. Derivatives and Hedging Activities

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

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

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

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

s. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Cash dividends per share presented in the accompanying consolidated statement of income and comprehensive income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

t. Consumption Taxes

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

3. Stock Granting Trust ("J-ESOP")

The Company has introduced a Stock Granting Trust ("J-ESOP") for the purpose of enhancing the benefit 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 them its own stock (or pays equivalent cash) corresponding to the number of their accumulated points through the Trust.

The Trust held the treasury stock as follows which was included in the consolidated balance sheet of the Company:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Treasury stock	¥478	¥480	$3,975
(shares)	793,000	796,000	

4. Investment Securities

Investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Non-current:			
Marketable equity securities	¥8,162	¥6,893	$67,866
Marketable trust fund investments and other	141	158	1,168
Nonmarketable equity securities	1,023	1,023	8,507
Total	¥9,326	¥8,074	$77,541

The cost and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014, were as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:								
Equity securities	¥2,238	¥5,924		¥8,162	$18,607	$49,259		$67,866
Trust fund investments and other	157	2	¥18	141	1,308	15	$156	1,167

	Millions of yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥1,963	¥4,930		¥6,893
Trust fund investments and other	165	13	¥20	158

The information of available-for-sale securities which were sold during the years ended March 31, 2015 and 2014, is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Loss	Proceeds	Realized Gains	Realized Loss
Available-for-sale – Equity securities	¥396	¥300		$3,294	$2,492	

	Millions of yen		
March 31, 2014	Proceeds	Realized Gains	Realized Loss
Available-for-sale – Equity securities	¥192	¥51	

5. Inventories

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished products	¥ 5,214	¥4,497	$43,350
Work in process	894	812	7,436
Raw materials and supplies	3,954	2,880	32,880
Total	¥10,062	¥8,189	$83,666

6. Investments in Associated Companies

Investments in associated companies at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments – New Japan Machinery Corporation	¥621	¥577	$5,166
Total	¥621	¥577	$5,166

7. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans at March 31, 2015 and 2014, consisted of bank overdrafts. The weighted-average interest rate applicable to the short-term bank loans was 0.8% at March 31, 2015 and 2014.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured loans from banks, with interest rates ranging from 1.5% to 3.5%	¥1,603	¥1,829	$13,326
Obligations under finance leases	12	5	99
Total	1,615	1,834	13,425
Less current portion	(400)	(400)	(3,326)
Long-term debt, less current portion	¥1,215	¥1,434	$10,099

Annual maturities of long-term debt at March 31, 2015, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 400	$ 3,326
2017		
2018		
2019		
2020 and thereafter	1,203	10,000
Total	¥1,603	$13,326

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 (U.S.$24,944 thousand) as of March 31, 2015. The Company had no borrowings outstanding under the agreement as of March 31, 2015.

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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥2,520	¥2,451	$20,957
Cumulative effect of accounting change	159		1,323
Balance at beginning of year (as restated)	2,679	2,451	22,280
Current service cost	194	137	1,610
Interest cost	21	46	176
Actuarial (gains) losses	49	(29)	410
Benefits paid	(212)	(146)	(1,762)
Others	3	61	24
Balance at end of year	¥2,734	¥2,520	$22,738

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥2,350	¥2,065	$19,537
Expected return on plan assets	31	27	260
Actuarial (gains) losses	(4)	14	(34)
Contributions from the employer	172	330	1,430
Benefits paid	(199)	(134)	(1,656)
Others	5	48	48
Balance at end of year	¥2,355	¥2,350	$19,585

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded defined benefit obligation	¥2,616	¥2,417	$21,755
Plan assets	2,355	2,350	19,585
	261	67	2,170
Unfunded defined benefit obligation	118	103	983
Liability for stock granting retirement	92	76	763
Net liability (asset) arising from defined benefit obligation	¥ 471	¥ 246	$ 3,916

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits	¥471	¥246	$3,916
Net liability (asset) arising from defined benefit obligation	¥471	¥246	$3,916

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥194	¥137	$1,610
Interest cost	21	46	176
Expected return on plan assets	(31)	(27)	(260)
Recognized actuarial (gains) losses		(8)	
Stock granting cost	32	28	268
Net periodic benefit costs	¥216	¥176	$1,794

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized actuarial (gains) losses	¥(41)		$(343)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized actuarial (gains) losses	¥(14)	¥28	$(112)

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
General account managed by a life insurance company	98.3%	98.2%
Others	1.7	1.8
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, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	Mainly 0.60%	Mainly 2.00%
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 yearend dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was 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 now 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 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued bonuses	¥ 221	¥ 220	$ 1,838
Provision for product warranties	29	96	245
Accrued enterprises taxes	45	75	375
Unrealized gain on sale of inventory	75	73	627
Unrealized gain on sale of property	20	16	167
Liability for retirement benefits	142	85	1,180
Loss on revaluation of investment securities	25	34	210
Tax loss carryforwards	70	353	579
Other	292	344	2,427
Less valuation allowance	(131)	(424)	(1,092)
Total	788	872	6,556
Deferred tax liabilities:			
Reserve for deferred gains on sales of property	366	403	3,039
Unrealized gain on available-for-sale securities	1,886	1,728	15,683
Other	98	81	817
Total	2,350	2,212	19,539
Net deferred tax liabilities	¥(1,562)	¥(1,340)	$(12,983)

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, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Expenses not deductible for income tax purposes	1.4	1.3
Income not recognizable for income tax purposes	(0.3)	(0.2)
Per capita portion of inhabitants' taxes	0.9	0.5
Tax credits	(2.9)	(2.2)
Lower income tax rates applicable to income in certain foreign countries	(1.7)	(1.7)
Valuation allowance	(0.7)	(0.6)
Effect of reduction of income tax rates on deferred tax assets	0.2	0.6
Other – net	0.4	(0.6)
Actual effective tax rate	32.9%	35.1%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, by ¥182 million (U.S.$1,517 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥195 million (U.S.$1,622 thousand), deferred gain on derivatives under hedge accounting by ¥0 million (U.S.$0 thousand) in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income and comprehensive income for the year then ended by ¥13 million (U.S.$105 thousand).

At March 31, 2015, some subsidiaries have tax loss carryforwards aggregating approximately ¥248 million (U.S.$2,061 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥103	$ 857
2019	30	250
2020 and thereafter	115	954
Total	¥248	$2,061

12. Research and Development Costs

Research and development costs charged to income were ¥535 million (U.S.$4,452 thousand) and ¥578 million for the years ended March 31, 2015 and 2014, respectively.

13. Leases

The Group leases certain vehicles.

Lease payments under finance leases for the years ended March 31, 2015 and 2014, were ¥3 million (U.S.$21 thousand) and ¥21 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 3	¥2	$29
Due after one year	9	3	70
Total	¥12	¥5	$99

14. Financial Instruments and Related Disclosures

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial assets. Bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 15.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Investment securities, mainly equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are almost less than six months. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Maturities of bank loans are less than seven years after the balance sheet date. Although a part of such bank loans is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include interest rate swaps, commodity swaps, forward foreign currency contracts and currency swap contracts, which are used to manage exposure to market risks from changes in interest rates of bank loans, from changes in raw material (copper) prices, and from changes in foreign currency exchange rates of receivables and advances. Please see Note 15 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

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

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

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

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and commodity swaps are used to manage exposure to market risks from changes in raw material (copper) prices.

The Company continuously reviews portfolios of securities by periodically monitoring fair values of each security and the financial condition of the issuer as well as market conditions and the relationship with the issuer.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which prescribe the authority and the limit for each transaction. The transaction data is reported to the management meeting on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the corporate treasury department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Additionally, notional amounts of derivate transactions, which are presented in Note 15, "Derivatives," do not indicate market risk of derivative transactions. Also, please see Note 15 for the details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen			Thousands of U.S. dollars		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥10,776	¥10,776		$ 89,602	$ 89,602	
Receivables	19,309	19,309		160,553	160,553	
Investment securities	8,303	8,303		69,034	69,034	
Total	¥38,388	¥38,388		$319,189	$319,189	
Short-term bank loans	¥ 233	¥ 233		$ 1,936	$ 1,936	
Payables	10,351	10,351		86,069	86,069	
Long-term debt	1,615	1,664	¥(49)	13,425	13,834	$(409)
Total	¥12,199	¥12,248	¥(49)	$101,430	$101,839	$(409)
Derivatives	¥ (707)	¥ (707)		$ (5,880)	$ (5,880)	

	Millions of yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 9,832	¥ 9,832	
Receivables	19,723	19,723	
Investment securities	7,051	7,051	
Total	¥36,606	¥36,606	
Short-term bank loans	¥ 708	¥ 708	
Payables	8,869	8,869	
Long-term debt	1,834	1,838	¥(4)
Total	¥11,411	¥11,415	¥(4)
Derivatives	¥ (372)	¥ (372)	

Cash and Cash Equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Investment Securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments.

Receivables and Payables
The carrying values of receivables and payables approximate fair value because of their short maturities.

Short-Term Bank Loans and Long-Term Debt
The carrying values of short-term bank loans approximate fair value because of their short maturities.

The fair values of long-term debt that include the current portion of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives
Fair value information for derivatives is included in Note 15.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥1,023	¥1,023	$8,507

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

	Millions of yen		Thousands of U.S. dollars	
March 31, 2015	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	¥10,776		$ 89,602	
Receivables	19,309		160,553	
Investment securities		¥81		$675
Total	¥30,085	¥81	$250,155	$675

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

15. Derivatives

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

At March 31, 2015	Millions of yen: Contract Amount	Millions of yen: Contract Amount due after One Year	Millions of yen: Fair Value	Millions of yen: Unrealized Gain/Loss	Thousands of U.S. dollars: Contract Amount	Thousands of U.S. dollars: Contract Amount due after One Year	Thousands of U.S. dollars: Fair Value	Thousands of U.S. dollars: Unrealized Gain/Loss
Foreign currency forward contracts:								
Selling U.S.$	¥1,016	¥1,016	¥ (48)	¥ (48)	$ 8,448	$ 8,448	$ (401)	$ (401)
Currency swap contracts:								
Selling U.S.$	1,414	1,414	(661)	(661)	11,760	11,760	(5,493)	(5,493)

At March 31, 2014	Millions of yen: Contract Amount	Millions of yen: Contract Amount due after One Year	Millions of yen: Fair Value	Millions of yen: Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 386		¥ 6	¥ 6
Currency swap contracts:				
Selling U.S.$	1,414	¥1,414	(379)	(379)

Derivative Transactions to Which Hedge Accounting Is Applied

At March 31, 2015	Hedged Item	Millions of yen: Contract Amount	Millions of yen: Contract Amount due after One Year	Millions of yen: Fair Value	Thousands of U.S. dollars: Contract Amount	Thousands of U.S. dollars: Contract Amount due after One Year	Thousands of U.S. dollars: Fair Value
Commodity swaps (fixed price payment, quoted price receipt)	Inventories	¥ 27		¥2			
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	400			$10,000	$10,000	

At March 31, 2014	Hedged Item	Millions of yen: Contract Amount	Millions of yen: Contract Amount due after One Year	Millions of yen: Fair Value	Thousands of U.S. dollars: Contract Amount	Thousands of U.S. dollars: Contract Amount due after One Year	Thousands of U.S. dollars: Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥800	¥400		$10,000	$10,000	

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 14 is included in that of hedged items (i.e., long-term debt).

At March 31, 2015	Hedged Item	Thousands of U.S. dollars: Contract Amount	Thousands of U.S. dollars: Contract Amount due after One Year	Thousands of U.S. dollars: Fair Value
Commodity swaps (fixed price payment, quoted price receipt)	Inventories	$ 228		$14
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	3,326		
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	10,000	$10,000	

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16. Other Comprehensive Income

The components of other comprehensive income, including reclassification adjustments and tax effects for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥1,283	¥1,733	$10,672
Reclassification adjustments to profit or loss	(299)	(51)	(2,492)
Amount before income tax effect	984	1,682	8,180
Income tax effect	(158)	(599)	(1,314)
Total	¥826	¥1,083	$ 6,866
Deferred gain (loss) on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥ 2	¥ (1)	$ 15
Reclassification adjustments to profit or loss		(2)	(1)
Amount before income tax effect	2	(3)	14
Income tax effect	(1)	1	(4)
Total	¥ 1	¥ (2)	$ 10
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 992	¥1,093	$ 8,243
Total	¥ 992	¥1,093	$ 8,243
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (41)		$ (343)
Amount before income tax effect	(41)		(343)
Income tax effect	14		118
Total	¥ (27)		$ (225)
Share of other comprehensive income in associates:			
Gains arising during the year	¥	¥ 35	$ 2
Total	¥	¥ 35	$ 2
Total other comprehensive income	¥1,792	¥2,209	$14,896

17. Net Income Per Share

Basis for the computation of net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
	Net Income	Weighted Average Shares	EPS	
Year Ended March 31, 2015				
Basic EPS				
Net income available to common shareholders	¥3,858	21,506	¥179.38	$1.49
Year Ended March 31, 2014				
Basic EPS				
Net income available to common shareholders	¥3,726	22,551	¥165.21	

As noted in Note 2.k, the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" effective April 1, 2014. In calculating the number of weighted-average shares above, the number of shares that are held by the Trust is reflected.

18. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, geographic segments of the Group consist of Japan, United States of America, Asia and Europe. Japan includes the Company, "Denyo Kosan Co., Ltd." and "Nishinihon Generator Mfg. Co., Ltd." United States of America mainly includes "Denyo Manufacturing Corporation." Asia mainly includes "Denyo United Machinery Pte. Ltd." Europe consists of "Denyo Europe B.V."

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets and Other Items

	Millions of yen						
	2015						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥38,101	¥8,981	¥ 4,706	¥479	¥52,267		¥52,267
Intersegment sales or transfers	4,675	368	2,911	4	7,958	¥(7,958)	
Total	¥42,776	¥9,349	¥ 7,617	¥483	¥60,225	¥(7,958)	¥52,267
Segment profit	¥ 3,245	¥1,185	¥ 705	¥ 7	¥ 5,142	¥ 207	¥ 5,349
Segment assets	56,336	5,989	12,219	459	75,003	(7,679)	67,324
Other:							
Depreciation and amortization	520	100	379		999		999
Investments in associated companies	621				621		621
Increase in property, plant and equipment and intangible assets	660	52	1,818	1	2,531		2,531

	Millions of yen						
	2014						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥37,323	¥7,227	¥4,968	¥314	¥49,832		¥49,832
Intersegment sales or transfers	5,354	224	1,974	1	7,553	¥(7,553)	
Total	¥42,677	¥7,451	¥6,942	¥315	¥57,385	¥(7,553)	¥49,832
Segment profit	¥ 4,317	¥ 356	¥ 574	¥ (40)	¥ 5,207	¥ 200	¥ 5,407
Segment assets	53,355	4,726	9,549	435	68,065	(6,547)	61,518
Other:							
Depreciation and amortization	429	90	319		838		838
Investments in associated companies	577				577		577
Increase in property, plant and equipment and intangible assets	956	5	1,492		2,453		2,453

	Thousands of U.S. dollars						
	2015						
	Reportable Segment						
	Japan	U.S.A.	Asia	Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$316,793	$74,675	$39,129	$3,984	$434,581		$434,581
Intersegment sales or transfers	38,868	3,062	24,201	33	66,164	$(66,164)	
Total	$355,661	$77,737	$63,330	$4,017	$500,745	$(66,164)	$434,581
Segment profit	$ 26,985	$ 9,854	$ 5,861	$ 56	$ 42,756	$ 1,716	$ 44,472
Segment assets	468,412	49,801	101,595	3,815	623,623	(63,848)	559,775
Other:							
Depreciation and amortization	4,323	833	3,146	1	8,303		8,303
Investments in associated companies	5,166				5,166		5,166
Increase in property, plant and equipment and intangible assets	5,488	432	15,118	5	21,043		21,043

Related Information

(1) Information about Products and Services

Information about products and services for the years ended March 31, 2015 and 2014, is omitted since sales to external customers of a single product line (generators, welders, compressors, and other related products) accounted for more than 90% of the total consolidated sales.

(2) Information about Geographical Areas

Sales to external customers and property, plant and equipment by geographical areas for the years ended March 31, 2015 and 2014, are summarized as follows:

	Millions of yen				
	2015				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥31,468	¥11,234	¥6,619	¥2,946	¥52,267
Property, plant and equipment	9,398	945	5,463	1	15,807

	Millions of yen				
	2014				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	¥31,728	¥9,008	¥6,959	¥2,137	¥49,832
Property, plant and equipment	9,419	874	3,297		13,590

	Thousands of U.S. dollars				
	2015				
	Japan	North and Central America	Asia	Other Areas	Total
Sales to external customers	$261,645	$93,409	$55,038	$24,489	$434,581
Property, plant and equipment	78,139	7,860	45,426	8	131,433

Note: Sales are classified by country or region based on the location of customers.

(3) Information about Major Customers

Sales to major customers for the years ended March 31, 2015 and 2014, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
Name of customers	2015	2014	2015	Related Segment
Multiquip Inc.	¥8,981	¥7,227	$74,675	United States of America

19. Related-Party Transactions

The Company sold its products to New Japan Machinery Corporation, an associated company.

The transactions were made under the usual terms and conditions.

The transactions with the associates for the years ended March 31, 2015 and 2014, and related balances at March 31, 2015 and 2014, were mainly as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Transactions:			
Sales	¥2,923	¥3,570	$24,304

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balances:			
Trade notes receivable	¥1,666	¥1,674	$13,855
Trade accounts receivable	515	811	4,283

20. Subsequent Event

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's Board of Directors' meeting held on May 21, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥16 (U.S.$0.13) per share	¥355	$2,955

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

We have audited the accompanying consolidated balance sheet of Denyo Co., Ltd. and its subsidiaries as of March 31, 2015, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Denyo Co., Ltd. and its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 26, 2015

Deloitte Touche Tohmatsu LLC

Deloitte Touche Tohmatsu LLC

Company Data

Company Outline

(As of March 31, 2015)

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.$16,253,708)
Authorized shares	97,811,000
Issued shares	22,859,660
Shareholders	4,482
Financial year	April 1 ~ March 31
Employees	510 (1,121 consolidated)
Branch and sales offices	26

Board of Directors and Corporate Auditors

(As of June 26, 2015)

Chairman and CEO

Hideaki Kuboyama

President and Representative Director

Shigeru Koga

Directors

Shoichi Shiratori
Yoji Eto
Teruo Yashiro
Yasuo Mizuno
Toshiaki Tanaka
Haruhito Takada*

Corporate Auditors

Toru Masui
Masaru Sugiyama
Akira Yamada*
Yoshio Takeyama*

Asterisk* indicates an external director or external corporate auditor.

Business Lines

Manufacture and sales of:

Generators	Engine-driven Generators Stand-by Generating Sets General-use Generating Sets AC Generators
Welders	Engine-driven Welders Welding Generators Welding Jigs Automatic Welding Equipment
Compressors	Engine-driven Air Compressors Motor-driven Air Compressors
Other Products	Water-related Equipment Self-propelled Lifters Construction-related Machinery Repair Parts

Plants and R&D Center

Fukui Plant	Wakasa-cho, Fukui Prefecture
Shiga Plant	Konan, Shiga Prefecture
Laboratory & Training Center	Sakado, Saitama Prefecture

Fukui Plant

Laboratory & Training Center

Denyo Group Companies

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

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

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

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

Denyo Asia Pte. Ltd.
No. 9 Neythal Road, Singapore 628614
Paid-in Capital: ¥600 million
Business: Sales of industrial electrical machinery

Denyo United Machinery Pte. Ltd.
No. 9 Neythal Road, Singapore 628614
Paid-in Capital: S$3 million
Business: Sales of industrial electrical machinery

Denyo Europe B.V.
Molensteyn 48, 3454 PT De Meern, The Netherlands
Paid-in Capital: €4 million
Business: Services and sales of industrial electrical machinery and parts

Denyo Vietnam Co., Ltd.
Plot A3 Thang Long Industrial ParkII, Yen My District, Hung Yen Province, Vietnam
Paid-in Capital: US$10 million
Business: Manufacture and sales of industrial electrical machinery

P.T. Dein Prima Generator
JL. Raya Bekasi Km. 28, Medan Satria, Bekasi 17132 Jawa Barat, Indonesia
Paid-in Capital: Rp13,563 million
Business: Manufacture and sales of industrial electrical machinery to the Indonesia market

New Japan Machinery Corporation
3-6-5 Shinyokohama, Kohoku-ku, Yokohama, Kanagawa 222-0033, Japan
Paid-in Capital: ¥495 million
Business: Sales and rental service of industrial electrical machinery

Investor Information

(As of March 31, 2015)

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 ~ March 31

Common Stock Authorized shares: 97,811,000
Issued shares: 22,859,660
(Included 650,381 shares of Company's own stock)

Stock Listing Tokyo Stock Exchanges, First Section (Code: 6517)

Shareholders 4,482

Transfer Agency Tokyo Securities Transfer Agent Co., Ltd.
Nihon Bldg. 4F, 2-6-2, Otemachi, Chiyoda-ku,
Tokyo 100-0004, Japan

Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Kyuei Corporation	1,600	7.20
Mizuho Bank, Ltd.	1,116	5.02
The Dai-ichi Life Insurance Co., Ltd.	872	3.92
Trust & Custody Servies Bank, Ltd. (Trust Account)	792	3.57
Denyo Shin-eikai Group	638	2.87
Japan Trustee Services Bank, Ltd. (Trust Account)	563	2.53
Tsurumi Manufacturing Co., Ltd.	543	2.44
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	540	2.43
KUBOTA Corporation	500	2.25
Sumitomo Mitsui Banking Corporation	352	1.58

Denyo Co., Ltd.

http://www.denyo.co.jp

Head Office:
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